

GENERAL MOTORS PLANT CLOSINGS

HEARING
BEFORE THE
SUBCOMMITTEE ON LABOR
OF THE
COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE
ONE HUNDREDTH CONGRESS
FIRST SESSION

ON

REVIEWING THE REASONS BEHIND GENERAL MOTORS' DECISION TO
CLOSE 11 PLANTS IN FOUR STATES, AND TO DETERMINE WAYS TO
KEEP THESE PLANTS OPERATING AND THE EMPLOYEES WORKING

JANUARY 26, 1987, NORWOOD, OH



Printed for the use of the Committee on Labor and Human Resources

U.S. GOVERNMENT PRINTING OFFICE

70-592

WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

5541-20

COMMITTEE ON LABOR AND HUMAN RESOURCES

EDWARD M. KENNEDY, *Massachusetts, Chairman*

CLAIBORNE PELL, *Rhode Island*
HOWARD M. METZENBAUM, *Ohio*
SPARK M. MATSUNAGA, *Hawaii*
CHRISTOPHER J. DODD, *Connecticut*
PAUL SIMON, *Illinois*
TOM HARKIN, *Iowa*
BROCK ADAMS, *Washington*
BARBARA A. MIKULSKI, *Maryland*

ORRIN G. HATCH, *Utah*
ROBERT T. STAFFORD, *Vermont*
DAN QUAYLE, *Indiana*
STROM THURMOND, *South Carolina*
LOWELL P. WEICKER, Jr., *Connecticut*
THAD COCHRAN, *Mississippi*
GORDON J. HUMPHREY, *New Hampshire*

THOMAS M. ROLLINS, *Staff Director and Chief Counsel*

HAYDEN G. BRYAN, *Minority Staff Director*

SUBCOMMITTEE ON LABOR

HOWARD M. METZENBAUM, *Ohio, Chairman*

SPARK M. MATSUNAGA, *Hawaii*
TOM HARKIN, *Iowa*
BARBARA A. MIKULSKI, *Maryland*
EDWARD M. KENNEDY, *Massachusetts*
(*Ex Officio*)

DAN QUAYLE, *Indiana*
GORDON J. HUMPHREY, *New Hampshire*
ROBERT T. STAFFORD, *Vermont*
ORRIN G. HATCH, *Utah*
(*Ex Officio*)

JAMES J. BRUDNEY, *Counsel*
ROBERT M. GUTTMAN, *Minority Counsel*

CONTENTS

STATEMENTS

MONDAY, JANUARY 26, 1987

Norwood, OH

	Page
Batt, William L., quality life adviser, Bureau of Labor-Management Relations and Cooperative Program, U.S. Department of Labor.....	112
Prepared statement	116
Bieber, Owen, president, United Auto Workers of America	56
Prepared statement (with attachments)	68
Doty, David A., UAW Local 233 Hamilton/Fairfield....	103
Gerhardt, Robert, city manager, city of Fairfield.....	94
Prepared statement	97
Glenn, Hon. John, a U.S. Senator from the State of Ohio, prepared statement.	46
Gradison, Hon. Willis, D., Jr., a U.S. Congressman from the State of Ohio, prepared statement (with attachments).....	50
Leonard, Paul, Lieutenant Governor, State of Ohio	109
Lukens, Hon. Donald E., a U.S. Congressman from the State of Ohio.....	38
Prepared statement	44
McDonald, F. James, president and chief operating officer, General Motors Corp.....	6
Prepared statement	11
Montgomery, Cleon, UAW Local 674, Norwood.....	101
Sanker, Joseph E., mayor, city of Norwood	92
Stapleton, Joan, employee, General Motors, Hamilton	108
Taylor, Howard, employee, General Motors, Norwood.....	107
White, David, employee, General Motors, Hamilton	109
Willingham, Donald, employee, General Motors, Norwood.....	106

GENERAL MOTORS PLANT CLOSINGS

MONDAY, JANUARY 26, 1987

U.S. SENATE,
SUBCOMMITTEE ON LABOR,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Norwood, OH.

The Subcommittee met, pursuant to notice, at 9:30 a.m., at Norwood Junior High School, Norwood, OH, Senator Howard Metzenbaum (chairman of the subcommittee) presiding.

OPENING STATEMENT OF SENATOR METZENBAUM

Senator METZENBAUM. First I want to thank Norwood Junior High School for opening their facilities to us and welcome Congressman Lukens and Congressman Gradison.

I might say to those of you who are from Fairfield: There had been some thought originally that I would go to the Fairfield plant early this morning, but I called and decided I would remain in Washington with my wife, who had a bicycle accident several months ago. But at the last minute I learned that Washington was going to be snowed in, and she understood, and I ran to the airport. I am happy to tell you I think I got the last plane out of Washington in order to get here last night, and so I am sort of pleased I was able to make it. [Applause.]

Senator Glenn couldn't be with us, but he has a statement, and we will insert it in the record at the appropriate point.

Before opening, I would also like to thank several individuals who will not be testifying, but who have been helpful in putting this meeting together: Ron Rankin, President of UAW Local 674, Norwood; Bill Kelly, President of Local 233 in Hamilton-Fairfield; Charlie Bowling, who I know is here and who is a good friend of mine, and Charlie Combs, also a good friend from the International Union; Norwood Junior High School Principal, Don Turner; Norwood Chief of Police Carl Motz and the many fine officers of his team, and all the other persons who helped to make this hearing possible.

We are here today to shed public light on the reasons behind General Motors' decision to close 11 plants in four states. We want to know how we got to the point where more than 29,000 workers could lose their jobs, 6,500 of them in the Greater Cincinnati area alone.

Why would America's number one auto maker take such drastic action? What went wrong and, more importantly, can we correct it? I want those plants to continue operating. [Applause.] I want

those employees to continue in their jobs, and our concern today is to find out how to achieve that goal.

I am aware of the fact that General Motors is here today through its president, and I am aware of the fact that General Motors has indicated they plan to close the plants. But I say where there is a will, we hope there is a way. We want to make it clear today to General Motors that we think there have been some problems on your part; we don't know if there might have been some problems on our part; but regardless of the problems, our mission is a singular one, and that is to figure out a way to keep these plants operating, and keep the employees working.

Now, some Japanese auto makers are beginning to expand their operations in the United States, hiring more Americans to build their cars. The chart to my left, which I think is behind that camera, shows that by 1989 seven Japanese auto makers will be manufacturing nearly 2 million cars in the United States; yet American auto makers are exporting more and more jobs. We don't know why the Japanese can come here and open new plants while American auto makers are taking their operations overseas.

The thousands of Americans who stand to lose their jobs will have a ripple effect on the economy of their communities. Who is going to be able to afford these American cars? Who will be able to buy them if all the manufacturing jobs in this country are exported overseas? Yes, who will want to buy them?

Surely American car makers must realize that if they export American jobs, they cannot expect loyalty from American buyers. They cannot expect a sympathetic ear from Congress when they bring their problems to us.

I can think of no better location to hold this Senate Labor Subcommittee hearing than in one of the communities where GM plans to shut its doors. Many of the GM workers present today also went to school in this very building. This school and this beautiful auditorium speak volumes about the continuity of the Norwood community and what could be lost if GM closes down its plant a few short blocks away.

That same spirit of community and continuity exists for those of you from the cities of Hamilton and Fairfield. The way of life in your neighborhoods is also in great jeopardy. I had hoped to visit the Fairfield plant this morning, and I look forward to doing so in the future.

This chart shows the devastating impact on these two communities from the GM closings. What happens to the jobs? What happens to the payrolls? What happens to the taxes? What happens to the local charities as well? They will be devastated.

How did we get to the point where GM executives in Detroit decided to close the Norwood assembly plant and the Hamilton-Fairfield stamping plant along with nine other facilities in three other states?

GM has long been known as America's number one industrial corporation. We have been proud to have so many of GM's operations here in Ohio. In recent years, however, GM, the giant, has come under heavy criticism for bad management decisions. It has been said in many arenas that it was these bad management decisions that led GM to its current financial problems.

In 1986, for the first time since 1924, GM made less money than Ford. In the third quarter of 1986, GM reported an after-tax loss of nearly \$53 million. That compares with its 1985 third quarter after-tax profit of \$247 million, a difference of \$300 million.

GM says it must close 11 plants by 1988 because of excess capacity and a drop in consumer demand for automobiles. But the facts suggest that GM is relocating substantial capacity overseas, outside our borders.

Indeed, as the next chart indicates, all three U.S. auto makers are transferring production overseas at an alarming rate. This spells disaster for the American worker, for the American economy, for the free-enterprise system in this country. We say to General Motors, these are short-sighted decisions.

Let's take a look at General Motors: Under a joint venture with Daewoo of Korea, GM will import 100,000 subcompacts for sale at GM dealerships in 1987. According to a December 1, 1986, Automotive News article, Daewoo will manufacture 200,000 cars for sale by GM in the United States in 1988. These cars will be manufactured in Korea and will contain Korean-made auto parts. GM will be providing employment to thousands of Koreans at the expense of U.S. auto workers. And GM's outsourcing plans don't stop with its arrangement with Daewoo.

Isuzu of Japan already builds 200,000 Spectrum subcompacts annually—in Japan—for GM to sell here. It has been doing this since 1984. Suzuki of Japan builds Sprint mini-compacts for GM sales in this country.

But perhaps the most pernicious outflow of U.S. jobs is in the area of automobile parts. GM is shifting parts manufacture to Mexico and other offshore plants. The GM cars you drive today, even if assembled in the U.S., are very likely to have engines from Brazil, wiring harnesses from Mexico and seats made and assembled in Canada.

The map to my left illustrates the alarming flight of GM facilities to Mexico alone. We used to say, "What is good for General Motors is good for America." Now we say, "What is good for General Motors is good for Mexico." [Applause.]

But General Motors is not alone. Ford imports cars from Korea and will soon import them from Australia. It manufactures car parts in Mexico. Chrysler imports cars from Japan. American manufacturers are giving up on the manufacture of small cars in America. They say it is less efficient to build them here.

I say that's nonsense. The Japanese are doing it. As the chart shows, by 1990 Japanese and other foreign manufacturers will be producing cars in the United States at 14 times the rate of their 1982 production. Incredibly, over the same 8-year period, U.S. companies will expand production of cars abroad by a factor of five. So the foreign manufacturers are bringing more production here and General Motors and American manufacturers are taking more and more production overseas.

By the end of 1987, Honda, Toyota, Nissan and Mazda will produce over 1 million cars in the United States. Just a few weeks ago, Honda announced plans to invest \$450 million in Anna, Ohio, to produce engines for the cars it has already been manufacturing in this state. Apparently the Japanese have decided it is more pro-

ductive to build cars and parts for American consumers with American workers. [Applause.]

And we hope that Mr. McDonald, President of General Motors, who will be our first witness today, will be able to tell us why U.S. car companies are abandoning U.S. workers at the same time foreign manufacturers are locating their facilities here in this country. If Honda can build cars and parts in Marysville, Ohio, if Nissan can build them in Smyrna, Tennessee, and Mazda in Flat Rock, Michigan, then GM, Ford and Chrysler ought to be able to build cars in the United States of America as well. [Applause and whistles.]

I am not just talking about giving up small-car production. Once you give away one market to your competitors, you open the doors for further losses. Within the last few months, GM shelved plans to build a new plastic-body sports car. That's the kind of production that would have been a lifeline for the Norwood and Hamilton-Fairfield plants.

Now, a couple of other things trouble me, and I want to share them with you.

Let me tell you about fuel-economy standards and how they apply. GM was fined \$385 million for its 1985 model year because it did not meet the required fuel-economy standards. Responding to objections raised by both General Motors and Ford about the burdens of meeting future standards, the federal government, under pressure from these two companies, eased the requirements for 1986, 1987 and 1988 car lines and let General Motors off the hook for the 1985 penalties of \$385 million. But the point is General Motors was not doing what its competitors were doing—it was not making fuel-efficient cars. The reason we put those CAFE standards into effect is so that the American auto manufacturers would make fuel-efficient cars.

Can't General Motors understand that consumers want cars that are fuel-efficient, instead of spending the millions of dollars that they undoubtedly spent hiring high-priced lobbyists to pressure the White House and Congress to reduce the standards? Why? Why can't GM do as well as foreign companies and Chrysler, because Chrysler met the standards? Why can't GM do as well as those foreign companies and Chrysler to produce fuel-efficient cars? [Applause.]

If General Motors based its fantastically high bonuses on its executives' ability to make cars that can compete with foreign cars, maybe General Motors wouldn't have to move its operations to foreign countries. [Applause and cheers.]

I can't believe that if General Motors wanted to, it couldn't meet the fuel-economy standards by building its smaller, more fuel-efficient autos in this country. I believe that General Motors' self-interest dictates that they provide more American jobs and help American energy security. A strong American economy can't be based on foreign production. [Applause.]

Instead of doing that, General Motors chooses to lay off 30,000 American workers and scale back its much-ballyhooed new Saturn plant. While the original Saturn plans called for production of small cars, it now looks as though the plant will manufacture mid-size cars. And total production has been cut, too. What happens to

the concessions workers made in order to ensure the domestic production of a small car?

Last month General Motors paid an unbelievable \$750 million to Ross Perot to get him off the Board of Directors of General Motors. \$375 million of that amount served as "hush money" to keep Perot from criticizing GM management decisions. [Laughter, cheers and applause.] What questions was Mr. Perot asking? What kind of meddling was he providing in the board? That money could have meant one year's employment for 10,000 General Motors line workers. [Applause and cheers.]

Even Perot criticized the payment of the money to him for the purposes for which it was paid, and Perot even let the money sit temporarily to give General Motors a chance to change its position.

The workers in the Norwood and Fairfield plants have labored long and hard for General Motors. They have trusted the giant auto maker, and they deserve to be treated fairly. General Motors should consult with them about productivity, working conditions, wages, whatever it takes to keep these plants open. I am sure the union and its membership is prepared to sit down and negotiate to keep these plants open. I believe that General Motors owes these workers nothing less. [Standing ovation, cheers and whistles.]

We will hear today from the president of that great International UAW, Owen Bieber. The UAW has already indicated a willingness to meet at the bargaining table. To close precipitously isn't fair and, it isn't right. These workers helped make GM the great company that it is, and they are owed much more than GM has given them. [Applause.]

Sadly, these two plants are only a small part of a larger national tragedy. As the chart shows, over 400,000 American workers have lost jobs in the auto industry between 1978 and 1985, and 500,000 more can expect to lose their jobs in the 5-year period ending in 1990.

The communities in which these plants operate also deserve to be treated fairly. Over the years these communities have bent over backwards in an effort to meet the needs of General Motors. We will hear from representatives of the communities later this morning.

Today we will hear from the President of General Motors. We are pleased that he is here. We will hear from Owen Bieber, the President of the UAW. We are pleased he is here. We will also hear from employees at the plants and members of the communities who stand to lose so much. We wish they didn't have to be here. [Applause.]

We will also hear about opportunities for dislocated workers. I do not believe the government does enough in this area, and I will soon introduce legislation in Congress to do more. However, I want to point out that the committee's focus in this area is not an admission of defeat; it is only a plan for a possible future.

We come here this morning not to beat on General Motors, but to meet with General Motors. We want to cooperate with them to keep these plants open. [Applause.]

Our first witness today will be Mr. McDonald, the president of General Motors. Mr. F. James McDonald, President and Chief Operating Officer of General Motors. [Applause.]

Mr. McDONALD. Good morning, Mr. Chairman, Mr. Lukens. May I go ahead and make my statement?

Senator METZENBAUM. Please do.

Mr. McDonald has a statement. At the conclusion of his statement, I will have some questions. If Congresspersons have some questions, we will take a few from them. We will hold up the opening statement of such congresspersons as are here until after Mr. McDonald concludes. He had to squeeze this hearing in between another commitment that he had later in the morning, and so we have arranged our schedule in that manner. We are very happy to hear from Mr. McDonald and very happy to welcome you here. We know that there was some discommoding of your own personal schedule in order to be with us, and we are pleased to welcome you, sir.

STATEMENT OF F. JAMES McDONALD, PRESIDENT AND CHIEF OPERATING OFFICER, GENERAL MOTORS CORP.

Mr. McDONALD. Thank you, Mr. Chairman. I am F. James McDonald, President and Chief Operating Officer of General Motors. I welcome this opportunity to be with you this morning. As you know, I have a long-standing engagement in Dayton later this morning, and I do appreciate being your first witness.

Personally, Ohio is very important to me. Most of my working career has been in plants, and my first assignment as plant manager was in GM's Defiance, Ohio, foundry.

Since that time, Mr. Chairman, the market for automobiles has become a global one. And today the U.S. automotive industry is facing unprecedented competition. In response to this competition, General Motors has invested an unprecedented \$41.5 billion in the U.S. since 1980 and in the past five years we have invested \$3.4 billion in Ohio alone. We are the only domestic automobile manufacturer to have built a new assembly plant in the U.S. in recent years—and we built not just one but six and thoroughly modernized twelve more. No other manufacturer matches our commitment to the manufacturing base of this country and to maintain American jobs.

Today more than 75,000 Ohioans work for General Motors in 43 production facilities across this state. And GM buys goods and services here from more than 18,000 Ohio suppliers.

So you see, General Motors has a major stake in Ohio and an ongoing commitment to this state's and this nation's future.

Today we are here to discuss the closing of two Ohio plants. Let me say at the outset that we at General Motors deeply regret the necessity for any plant closing. They do disrupt lives and strain the fabric of our communities, and there are no decisions more difficult for me or my company.

Yet unless we make these very painful decisions, we risk the long-term health of our entire domestic manufacturing base.

Increasing global competition in the domestic auto industry has initiated an unprecedented restructuring period which began in the early 1980s and will continue for the next several years. Some industry analysts predict that by 1990, excess assembly capacity in

North America could approach 3½ million vehicles and could force the closure of up to ten assembly plants.

It is important to realize that these changes brought on by global competition as well as the accompanying implementation of new technologies are not temporary. Unlike the cyclical swings which we have all witnessed in auto production over the years, we know this new competition will not ease—it will only intensify.

I believe that the only way to meet the new global competition is to make strategic investments in new plants, technologies, and enlightened management systems to make our products world-competitive and thereby save American jobs. And that's exactly what General Motors is doing. We are rapidly replacing outmoded plants and equipment with the most advanced facilities and computer-based manufacturing systems. This includes the construction of the six automotive assembly plants and thorough modernization of twelve others. And each new assembly plant costs between six and nine hundred million dollars.

An important part of this investment has been the \$2.3 billion committed to our Parma and Mansfield, Ohio, stamping facilities. This includes the installation of our transfer presses capable of producing parts at the rate of 100 million a year.

Equal in importance to our investment in plants is the effort labor and management have been making to eliminate the old adversarial relationships. We have established genuine partnerships with our unions, suppliers and dealers, and we have launched dozens of joint union-management programs.

As we have added new plants and improved others we have kept some old plants running for a while to assure a smooth transition. But once these new plants were up and running, some plants had to be consolidated and our oldest, least-efficient plants had to be closed. Last November GM announced the closure of 11 plants, including the two here in Ohio.

The Norwood and Hamilton plant closings must be considered individually, and I will address Norwood first. The Norwood and Van Nuys, California, plants both make the Camaro and Firebird models. These sporty road cars appeal to a small, yet very significant, segment of the market. The intensified competition in this segment has made it obvious we cannot continue to support two separate production facilities, so it came down to a choice between Norwood and Van Nuys.

In terms of age and condition, Van Nuys clearly had the advantage. Van Nuys was built in 1947. It had been updated several times, including a \$5 million investment in a new water treatment facility in 1985 and \$17 million that same year to comply with air-quality standards.

In sharp contrast, the Norwood plant was built in 1923, the year GM stopped making cars with wooden wheels. It is a 3-story plant, which makes it impossible to take advantage of efficient new production systems. And Norwood is landlocked, making restructuring into a modern, single-story production facility impossible. Norwood is one of our oldest and least-efficient plants, and there is no question that in the long run it would have to be closed. It was a matter of when.

And one final point about Norwood: We are not replacing our Norwood operations with production overseas.

UNIDENTIFIED PERSON. That is not correct. [Boos.]

Mr. McDONALD. Hamilton is a completely different situation. It is a stamping plant and must be considered as a part of our corporate-wide stamping plant modernization program which began in 1981. At that time many of our stamping plants were at 35 to 40 per cent efficiency, and we are talking about equipment utilization here. They need to be at 80 per cent efficient to be world cost competitive. So we began making major investments in new press technologies, including those at Mansfield and Parma.

The modernized plants would operate at a far higher level of efficiency, resulting in stamping overcapacity. Eventual consolidation and rationalization was inevitable. Therefore, we did not modernize all stamping plants, knowing that they would not all be needed. Hamilton was not chosen, because in comparing it with all our facilities, it was not considered likely to be competitive.

As with Norwood, it is important to realize that these jobs are not going overseas.

The decision to close Norwood and Hamilton have been made and are behind us. Your efforts and ours could now be most productive by doing everything we can to minimize the disruption these closings will create.

GM is dedicated to meeting its responsibilities to its employees in the communities in which they live. We have one of the most comprehensive safety nets in American industry for employees affected by plant closings.

First of all, we have tried to provide long lead times on these closures, permitting employees and communities to plan ahead.

Secondly, we have established both a corporate community transition team and joint GM-UAW transition teams at Norwood and Hamilton. These teams will be working with every employee, hourly and salaried, to ease the transition.

Third, any hourly employee with a year or more seniority who would have been laid off because of technology, outsourcing, negotiated productivity improvements or transfers or consolidations of work with reduced labor content goes into the JOBS bank. Such an employee will not be laid off. Instead, he or she will receive other assignments, training or be assigned to replace other employees while they are in training.

Further, any hourly employee who is laid off is eligible for job opportunities at other plants in his or her geographic area and could be eligible for job opportunities anywhere in General Motors' U.S. operations.

Fourth, we are providing a significant level of financial support to laid-off hourly employees. Those with one year or more seniority will receive Supplemental Unemployment Benefits. When combined with state unemployment compensation, it amounts to 95 per cent of the employee's take-home pay for up to a full 2 years.

If SUB pay runs out before re-employment, employees with 10 or more years seniority go into what we call the Guaranteed Income Stream. This program provides income ranging from 50 to 75 per cent of the individual's pre-tax pay, depending on the individual's seniority. These benefits can continue up to retirement.

Similar programs exist for salaried employees.

Our contracts with our unions provide for limited continuation of benefits, including life insurance, health-care and disability insurance during layoff. Under the Guaranteed Income Stream, supplemental hospital-surgical-medical health-care coverage and a \$10,000 life insurance policy are provided at no cost to the employee.

Together these benefits will also aid communities in which our employees live by providing a continued stream of income into the local economies.

Fifth, the UAW-GM National Human Resource Center is developing a comprehensive counseling and job placement program for employees at these plants. Each employee will receive a complete educational and vocational assessment, an explanation of benefits including tuition assistance and retraining as necessary.

Sixth, we are working diligently to make responsible disposal decisions for all the plants to be closed. We will work hand-in-glove with the communities to do what is best for all concerned.

Seventh and finally, government can help. Government efforts should focus on improving the overall economic climate and on reducing the short-term pain—not on preventing the modernization efforts that will save American jobs. On the federal level, the Job Training Partnership Act can help workers find new jobs, and other programs can provide economic assistance.

With respect to the economic climate, we believe it is important that the federal government move to reduce the budget deficit and improve the regulatory environment.

Finally, there is another area of government responsibility—international trade and investment rules—where there is near unanimous agreement that more action, including legislation, is necessary.

Obviously, this action needs to be as wise as it is swift. I haven't heard anyone say they want the kind of trade wars set off by trade policies in 1929 and later. We are, I believe, smart enough to learn from history. And I don't know anyone who would exchange a job making a product the consumer wants for a job dependent on a piece of paper signed in Washington.

Nonetheless, action is necessary to turn around an unacceptable trade deficit. Actions that must be taken include balancing exchange rates (across the board, not just with Germany and Japan), improving domestic growth rates of our trading partners, insisting on better access for our products abroad and taking effective countermeasures to predatory trading practices by others. Legislation should be passed authorizing multilateral negotiations which take these objectives into account. It should strengthen the hand of agencies who deal with abuses and with the effects of trade imbalances.

It is too early to know how this will turn out in Congress, but the Business Roundtable has developed a set of recommendations that we think merits their consideration.

In conclusion, General Motors is making a strategic investment to keep American jobs in America. We must continue this process of modernization, consolidation and rationalization if we are to be world-competitive.

Unfortunately, this does mean some plants will close. Yet, General Motors, in full cooperation with the unions, has created a safety net that is one of the best in the industry today. We are dedicated to the task of easing the transition of all those affected and to continue in our commitment to jobs in America and in Ohio. Thank you very much. [Applause.]

[The prepared statement of Mr. McDonald follows:]

R E C O R D S T A T E M E N T

Statement of

General Motors Corporation

to the

Subcommittee on Labor

of the

United States Senate

Labor and Human Resources Committee

Cincinnati, Ohio

January 26, 1987

I am F. James McDonald, president and chief operating officer of General Motors. I welcome this opportunity to be with you this morning. As you know, I have a long-standing engagement in Dayton later this morning, and I appreciate being your first witness so that I may keep that commitment.

Personally, Ohio is very important to me. Most of my working career has been in plants, and my first assignment as plant manager was in GM's Defiance, Ohio, foundry.

Since that time, Mr. Chairman, the market for automobiles has become a global one. And today the U.S. automotive industry is facing unprecedented competition. In response to this competition, General Motors has invested an unprecedented \$41.5 billion in the U.S. and \$3.4 billion in Ohio alone. We are the only domestic automobile manufacturer to have built a new assembly plant in the U.S. in recent years -- and we built not just one but six and thoroughly modernized twelve more. No other manufacturer matches our commitment to reindustrializing this country and maintaining American jobs.

Today more than 75,000 Ohioans work for General Motors in 43 production facilities across this state. And GM buys goods and services here from more than 18,000 Ohio suppliers.

So you see, General Motors has a major stake in Ohio and in America, and an ongoing commitment to this state's and this nation's future.

Today we are here to discuss the closing of two Ohio plants. Let me say at the outset that we at General Motors deeply regret the necessity for any plant closing. Plant closings disrupt lives and strain the fabric of our communities, and there are no decisions more difficult for me and my corporation.

Yet the decisions must be made. For our industry has changed so radically in recent years that unless we make these painful decisions -- we risk the long-term health of our industry -- and we place the jobs of tens-of-thousands in jeopardy in Ohio and across America.

World Competition

The North American market has been fundamentally changed in recent years by the advent of global competition and the resulting influx of lower-cost foreign products. This has increased innovations in product and process and given American consumers the widest range of product choices at highly competitive prices. Correspondingly, many U.S. industries are facing unprecedented challenges to remain competitive. Steel, machine tools, consumer electronics, motorcycles, textiles, and shoes are all examples.

Increasing global competition in the domestic auto industry has initiated an unprecedented restructuring period which began in the early 1980s and will continue for the next several years. Some industry analysts predict that by 1990, excess assembly capacity in the U.S. could approach three-and-one-half million vehicles -- and could force the closure of up to ten assembly plants.

It's important to realize that these changes brought on by global competition as well as the accompanying implementation of new technologies are not temporary. Unlike the cyclical swings which we have all witnessed in auto production over the years, we know this new competition will not ease -- it will only intensify.

GM's Response

I believe that the only way to meet the new global competition is to make strategic investments in new plants, technologies, and enlightened management systems to make our products world competitive, and thereby save American jobs. And that's exactly what General Motors is doing.

While the trend in the U.S. auto industry is to offshore sourcing, I am proud to say GM is making substantial investments to keep jobs here in America. In this decade -- from 1980 through '86 -- we have invested more than \$41.5 billion in U.S. facilities, tools, and technologies. That's more than 76% of our total worldwide capital investment. And that's definitely a larger U.S. commitment than anyone else in the auto industry -- if not in all of American industry.

We have completely reorganized and restructured all of our North American car and truck operations to streamline decision making and make us more responsive to dramatic shifts in market demands.

To bring the necessary talents and technologies into our company, and to help our automobile and truck business, we have made major acquisitions including Electronic Data Systems and Hughes Aircraft.

In our products, we have made a major transition to front-wheel-drive cars with the more space- and weight-efficient transverse-mounted engines and integral frame body construction.

We established Saturn Corporation to develop an entirely new family of small cars that can compete directly in the very competitive small car market.

And by far, our largest investment has been in plant replacement and modernization. We are rapidly replacing outmoded plants and equipment with the most advanced facilities and computer-based manufacturing systems. This includes the construction of six all-new assembly plants and thorough modernization of twelve others. Each assembly plant costs \$600 - \$900 million.

In Ohio alone, we have invested more than \$3.4 billion dollars in the past five years for plant modernization and new equipment.

An important part of this investment has been the \$1.2 billion committed to Parma and Mansfield, Ohio, facilities. This includes modernization, tooling, and the installation of large transfer presses. Mansfield is receiving 21 of these advanced transfer presses, capable of producing parts at a rate of 100 million a year. At Parma, 13 transfer presses are being added.

Equal to all of this in importance, is the effort that all of us at General Motors -- labor and management -- have been making to eliminate the old adversarial relationships and establish genuine partnerships.

To this end, we have fostered Quality-of-Work-Life programs in virtually every plant. We've invested billions of dollars in both technical and team-decision-making training. We have established genuine partnerships with our unions, suppliers, and dealers -- and we've launched dozens of joint union and management programs. Anyone who left us five years ago wouldn't believe what is happening in these areas today.

Here in Ohio, this human effort has been outstanding as witnessed by truly innovative local contracts, and major turnarounds in performance at a number of facilities. Last July, for example, I had the great pleasure of attending the 20th anniversary of Lordstown -- a group of Ohio plants which began in the late '60s and early '70s with major labor conflicts and production disruptions yet, today, are among GM's highest quality operations.

Plant Closings

As we've added new plants and improved others -- we kept some old plants running for a while to assure a smooth transition. But now these new plants are up and running, and we have to get back to rationalizing our capacity with the realities of the marketplace.

That means some plants had to be consolidated, and our oldest, least-efficient plants had to be closed. Last November, GM announced the closure of 11 plants, including two here in Ohio.

Each plant closing decision came after months of extensive deliberation. In general, we considered a wide range of factors including market demand for a plant's products, age and condition of facilities and equipment, geographic presence, as well as, ongoing performance.

In this new era of global competition, the only job security for any of us comes down to how well we can compete. The choice of which plants to phase out must ultimately be based on how well a plant team can produce quality products -- on time and at competitive costs -- not only now, but in the future.

Each plant is unique. Each must be considered on its individual ability to compete. The Norwood and Hamilton plant closings must, therefore, be considered individually. I will address Norwood first:

Norwood

Norwood and the Van Nuys, California, plants both make the Camaro/Firebird models. This sporty roadcar appeals to a small, yet significant segment of the market. The intensified competition in this segment has made it obvious that we could not continue to support two separate production facilities. So it came down to a choice between Norwood and Van Nuys.

In terms of age and condition, Van Nuys clearly had the advantage. Van Nuys was built in 1947 and has been updated several times, including a \$5 million investment in a new water treatment facility in 1985 and \$17 million that same year to comply with air quality standards.

In sharp contrast, the Norwood plant was built in 1923 -- the year GM stopped making cars with wooden wheels. It is a three-story plant, which makes it impossible to take advantage of efficient new production systems. And Norwood is landlocked, making restructuring into a modern single-story production facility impossible. Norwood is one of our oldest and least efficient plants, and there was no question that in the long run it would have to be closed. It was only a matter of when.

And there was also a marketing consideration which favored the Van Nuys plant. Van Nuys is the last of GM's assembly plants in California. Currently, we believe a manufacturing presence in California helps us sell our cars in that import-heavy market. Whatever we can do to increase West Coast sales contributes directly to Midwestern jobs. Moreover, the Camaros, Firebirds and Trans Ams produced at Van Nuys are definitely California-style cars.

One final point about Norwood. We are not importing any cars that compete in any way in Camaro's and Firebird's unique market segment. We are not replacing our Norwood operations with production overseas.

Now, let me outline our Hamilton plant decision:

Hamilton

Hamilton is a completely different situation. It is a stamping plant, and must be considered as part of our corporate-wide stamping plant modernization program which began in 1981. That program is an integral part of our plan to stay competitive.

At that time, we recognized that our stamping operations utilized old technology. Many of these plants were at 35 and 40% efficiency, yet they needed to be 80% efficient to be world cost competitive. So we are making major investments in new press technologies -- including those at Mansfield and Parma.

I might add that the best way to improve stamping efficiency is to directly connect these facilities with the assembly operation for just-in-time delivery. That's the way it will be set up at our new Fairfax and Saturn plants.

Getting back to 1981, it was clear that modernized plants would operate at a far higher level of efficiency resulting in stamping overcapacity. Eventual consolidation and rationalization was inevitable. Therefore, we did not modernize all stamping plants knowing that they would not all be needed. Hamilton was not chosen for modernization. In comparing Hamilton with all of our stamping facilities, it was not considered likely to become competitive.

As with Norwood, it's important to realize that these jobs are not going overseas. General Motors buys no stampings from offshore. We have, in fact, invested heavily in new technology so we can keep these jobs in America and in Ohio.

Assistance in Closings

The decisions to close Norwood and Hamilton have been made and are behind us. Your efforts and ours can now be most productive by doing everything we can to minimize the disruptions these closings will create.

- 9 -

GM is dedicated to meeting its responsibilities to its employees and the communities in which they live. We have one of the most comprehensive "safety nets" in American industry for employees affected by plant closings.

First of all, we have tried to provide long-lead times on these closures, permitting employees and communities to plan ahead.

Secondly, we have established both a corporate community transition team and joint GM-UAW transition teams at Norwood and Hamilton. These teams will be working with every employee -- hourly and salaried -- to ease the transition. And the teams are studying the applicability of various programs for each plant and community.

Third, any hourly employee with a year or more seniority who would be laid off because of technology, outsourcing, negotiated productivity improvements or transfers or consolidations of work with reduced labor content goes into the JOBS bank. Such an employee will not be laid off but instead receive other assignments, training or be assigned to replace other employees while they are in training.

Any hourly employee who is laid off is eligible for job opportunities at other plants in their geographic area and could be eligible for job opportunities anywhere in General Motors' U.S. operations.

Fourth, we are providing a significant level of financial support. Every laid off hourly employee with one year or more seniority will receive

Supplemental Unemployment Benefits. When combined with state unemployment compensation, it amounts to 95% of the employee's take-home pay for up to a full two years.

If SUB pay runs out before reemployment, employees with ten or more years seniority go into what we call the Guaranteed Income Stream. This program provides income ranging from 50 to 75% of the individual's pre-tax pay depending on the individual's seniority. These benefits can continue up to retirement.

Similar programs exist for salaried employees.

Our contracts with our unions provide for limited continuation of benefits including life insurance, health-care, and disability insurance during layoff. Under the Guaranteed Income Stream, supplemental hospital-surgical-medical health care coverage and a \$10,000 life insurance policy are provided at no cost to the employee.

Taken together, all of these programs also aid the communities in which our employees reside by providing a continued stream of income into the local economies.

Fifth, the UAW-GM National Human Resource Center is developing a comprehensive counseling and job placement program for employees at these plants. Each employee will be counseled individually to create an "employment development plan" -- to help place him or her in an appropriate job inside or outside General Motors. This will include a complete educational and vocational assessment, an explanation of benefits including tuition assistance, and retraining, as necessary.

Sixth, we are working diligently to make responsible disposal decisions for all the plants to be closed. For example, if we can find investors who are willing to purchase the Hamilton plant with all of its equipment in place, we will consider doing so. Or it may be determined that everyone's interests would be best served by removing the plant facility entirely, and providing an environmentally sound site for future use or development. Again, we will work hand-in-glove with the communities to do what is best for all concerned.

Seventh and finally, government can help. Government efforts should focus on improving the overall economic climate and on reducing the short-term pain -- not on preventing the modernization efforts that will save American jobs. On the federal level, the Job Training Partnership Act can help workers find new jobs, and other federal programs can provide economic assistance.

Let me note here that earlier this month, Secretary Brock's Task Force on Economic Adjustment and Worker Dislocation completed a 13-month study. At GM, we believe the recommendations of this comprehensive study deserve careful consideration.

With respect to the economic climate, we believe it is imperative that the federal government move to reduce the budget deficit.

Further, the federal government can help U.S. automakers become more competitive by improving the regulatory environment. This can include such actions as elimination or substantial modification of the corporate

- 12 -

average fuel economy law, which severely jeopardizes American jobs while providing an advantage to foreign competitors. American workers should be able to build the cars American consumers want to buy.

Finally, there is another area of government responsibility -- rules governing international trade and investment - where there is near unanimous agreement that more action -- including legislation - is necessary.

Obviously this action needs to be as wise as it is swift. I haven't heard anyone say they want the kind of trade wars set off by trade policies in 1929 and later. We are, I believe, smart enough to learn from history. And I don't know anyone who would exchange a job making a product the consumer wants for a job dependent on a piece of paper signed in Washington.

Nonetheless action is necessary to turn around an unacceptable trade deficit. Balancing exchange rates (across the board - not just with Germany and Japan), improving domestic growth rates of our trading partners, insisting on better access for our products abroad and taking effective countermeasures to predatory trading practices by others are actions that must be taken. Legislation should be passed authorizing multilateral negotiations which take these objectives into account. It should strengthen the hand of agencies who deal with abuses and with the effects of trade imbalances.

It is too early to know how this will turn out in Congress but the Business Roundtable has developed a set of recommendations that we think merit consideration.

Conclusion

In conclusion, the American automobile industry is in the midst of unprecedented change brought on by a radically altered U.S. market that is both crowded and highly competitive. The situation is in a state of flux, and will inevitably result in permanent structural changes in this entire industry.

At General Motors, we believe that the only real job security is for American companies to make the major investments in their people, products, and plants that are necessary to become world class and world competitive.

General Motors is making the strategic investments to keep American jobs in America. No other company in our industry has made a larger investment in this country. And no other company has come near making as large an investment in Ohio.

We must continue this process of modernization, consolidation, and rationalization if we are to be world competitive. And we will do so. At issue is our ability to compete in a global market. At stake are the jobs of all GM employees -- in Ohio and across America.

Unfortunately, this process does mean some plants will close. Yet General Motors -- in full cooperation with the unions -- has created a safety net for affected employees. It is one of the best safety nets in industry today and can do much to cushion the transition.

- 14 -

We at General Motors stand ready to work with government to help our employees, and their communities, to see this transition through in the best possible way.

Thank you.

* * * *

Mr. JERRY DAVIS. General Motors, come home to America. [Applause.]

Senator METZENBAUM. Thank you, Mr. McDonald.

I have a series of questions, but before I get into that, I notice that you have a written statement, and in reading it you left out one particular line. I just want to be certain that this is not an indication that the line is not factual.

When you were talking about the stamping plant, you indicated that jobs are not going overseas. You then added another line saying, "General Motors buys no stampings from offshore." Is that a fact?

Mr. McDONALD. That is a fact, yes, sir.

Senator METZENBAUM. Thank you. I just wasn't certain whether your failure to read it was some indication that those two facts are in conflict.

Mr. McDONALD. There is certainly no conflict between what I read and what I filed.

Senator METZENBAUM. We appreciate that.

Now, Mr. McDonald, you say you established Saturn Corp. to be able to "compete directly in the very competitive small-car market." Recently, however, you announced that your initial investment was being cut 50 per cent and that annual production would be 200,000 units rather than the 500,000 originally planned. Do you really intend to compete aggressively with the Saturn? Can you tell us about this decision?

Mr. McDONALD. Surely. I say I am a manufacturing man; that has been my whole life. When we looked at Saturn, the long-range concept of Saturn was to have two assembly lines, two engine lines, two transmission lines and equivalent sheet metal, plastic and metal foundry facilities all in one complex. The experience of starting up that amount of heavy investment with all new product, all new machinery and all new work force would say that you would have a tremendous amount of capital that wasn't being fully utilized for a long period of time. So our decision was to start up one line—one engine line, one transmission line and one assembly line—and get all of that up to production speeds and then consider adding the second facility.

Senator METZENBAUM. But the rest of my question has to do with whether this auto is a different auto than that which was originally contemplated. President Le Fauve of Saturn recently announced that the Saturn car was very different from and larger than the model shown to the press in January 1985. Isn't the Saturn becoming more of a mid-sized car rather than the small car you originally planned?

Mr. McDONALD. Well, a great amount of what people might like to know about the Saturn car we consider proprietary, but I will tell you this, that the car will compete in the subcompact segment of the marketplace. It is not either a compact or an intermediate; it is a subcompact.

Senator METZENBAUM. It is not becoming more of a mid-sized car?

Mr. McDONALD. No, sir, not at all.

Senator METZENBAUM. Now that the Big Three have pretty much ceded the small-car market to the Japanese and others, these same

competitors seem to smell blood and are making inroads in the mid-size and sports-car market. What are General Motors' plans with respect to retaining or increasing its share of these markets?

Mr. McDONALD. Well, as I indicated in my talk, we have invested in the last 5 years six brand new assembly plants, and I really think that that is an indication that we intend to stay in this country and produce in this country. No other domestic manufacturer is building an assembly plant in this country nor has for some time. I don't think we have abandoned any markets. The investment in Saturn is an indication that we want to be in the low end of the market, and certainly our strengths are in the intermediate and above. We are doing very, very well on the so-called compact market right now. That happens to be where the Firebird is classified, but with our new entries, what we call the N-car, the Pontiac Grand Am, are doing an outstanding job, and we intend to stay strong in all the market segments.

Senator METZENBAUM. Then how do you explain the fact that more and more of your production is being procured overseas and more and more Japanese production is being brought here to this country? There is that inconsistency that I have difficulty with that the charts we showed a few minutes ago reflect as to how the Japanese are able to come here and increase production while General Motors, Ford, and Chrysler are doing so much overseas production?

Mr. McDONALD. Well, if you look at what we are bringing into this country in terms of assembling vehicles, we bring the Sprint from Suzuki, we bring the Spectrum from Isuzu, and we are going to bring the Pontiac LeMans from South Korea. When you put all that volume together and include the portions we get out of our joint venture with Toyota in Fremont, California, you are talking anywhere from 3 to 4 percent of our total volume. So it is a very, very small amount, and that is all the plans that we have at the present time for imported vehicles.

When you talk about the Japanese assembling vehicles in this country, they are assembling vehicles in this country, but a very high portion of the content of their vehicles is coming in from Japan to be assembled here. Most of their engines and I know that you have mentioned in your talk that Honda has agreed to build an engine plant here in Ohio, but no one else is building engines I know of, of the Japanese manufacturers in this country—and we are building ours here, except for the few that we are bringing in, the few we bring in from Brazil that you mentioned and a few we bring in from Mexico.

Senator METZENBAUM. As we all know, Honda has been extremely successful manufacturing Civics and Accords in Ohio and has just announced a major expansion. I understand that labor costs at Honda are comparable to those at General Motors. How do you explain the fact that a Japanese company can come to America and increase production, while General Motors, the world's largest manufacturer, is taking more and more of its production overseas? We know what you are doing in Mexico, you are telling us what you are doing with respect to some of the Japanese manufacturers, you are going to be doing it with the Korean manufacturers, and you are saying it is a low percentage of the total. But the fact is

you are doing it, which indicates either some failure on the part of General Motors or some special success on the part of the foreign manufacturers.

Mr. McDONALD. Well, if we look at Honda—first of all, I don't take this three or four per cent of our total production coming from overseas in terms of passenger cars—I think it is a very small amount, and we are doing much of that while we are trying to get our Saturn operations under way.

But, certainly, Honda, what they produce in this country is pretty well scaled up the market itself, and when you look at the center part of the market, our intermediate cars or what we call our A-cars—our Pontiac 6,000s, our Centurys and our Sierras—we produce all of those in this country, and last year we sold close to 1,200,000 of those particular lines. So there isn't—we don't have any thoughts at all of taking those kinds of cars and going offshore. That is just an impossible thing to think about. The bulk of our production—and, as I say, right now it's 96 per cent in vehicles—is going to be right in this country or we are not going to exist.

Senator METZENBAUM. Let me just read to you from Mr. Bieber's testimony. He hasn't testified yet, but we have the written testimony. He says, "GM's captive sourcing strategy has not been cut back—up to 400,000 vehicles could be sourced offshore by 1988, the equivalent of the annual output of two assembly plants. The GM-Suzuki plant in Canada adds another 100,000 to 200,000 units. The vast majority of those vehicles will be shipped to this country, using the United States-Canada Auto Pact to ship them duty-free. This is not the intent of the Pact, and it will cost additional American jobs.

"While engine programs are being canceled, approximately 800,000 engines were imported in 1986. Based on announcements in the trade press, it seems likely that up to 1 million will be imported in 1987. That is a whole engine plant worth of capacity. In 1983, by contrast, GM imported about 200,000."

Mr. McDONALD. Well, I think, first of all, you will find that, as a percentage of all automobiles, General Motors imports less than any other domestic manufacturer. It's our intent to be competitive all up and down the line—and you made a statement that is absolutely true—if you assume that you cannot be competitive in the lowest end of the line but you can be competitive in the rest, you have really got your head in the sand; you are kidding yourself, and eventually you are going to be out of business. That is why we created Saturn—and Saturn is an entirely different approach to designing and producing automobiles than exists in this country today with domestic manufacturing. We started out with a UAW relationship right off the bat and tried to design, as I say, a whole new way of assembling an automobile, a whole new way of having a management-union relationship, and we are even looking at a whole new way of distributing automobiles, our Saturns. So it is our desire to come up with the systems, the relationships, the production designs, that allows us to produce in this country to stay competitive.

Senator METZENBAUM. Your words are good, and I like your words, but I am not sure that I like the facts as well as the words. [Applause and cheers.]

Mr. McDONALD. Well, one of the facts, Mr. Chairman, that I have to come back to is the fact that we put \$41.5 billion in this country since 1980, and you tell me any manufacturer, automobile or otherwise, that has come close to that. I think that on the part of General Motors that is a recognition and an effort to stay in this country and be productive.

Senator METZENBAUM. Let me just read another part of Mr. Bieber's statement. He may not have anything left by the time I get through with it. [Laughter.] But I would guess he won't be too upset.

"GM has now reversed gears and is cutting deeply into its commitment to U.S. production. The 'GM10' car (Corsica/Beretta) was scaled back from production in seven plants to four plants—two of them in Canada; the 'GM80' new car (Camaro/Firebird replacement) was canceled. Two of the four brand new engines planned for production have apparently been dropped and a third, less-ambitious engine project will most likely be cancelled. Saturn, moreover, has been cut back from a 500,000-unit-per-year production plan to a 250,000-unit program. The Saturn engine is still not locked in, and GM appears to have backed down from its commitment to a fully integrated production operation, scaling back the total investment."

That is pretty strong language and very disturbing language, and I think rather than have Mr. Bieber make it after you are gone, we ought to give you an opportunity to correct it if it isn't factual and tell us, if it is factual, why it is so.

Mr. McDONALD. OK, I would like to start right down the line. First of all, it was mentioned in that statement that the GM10 program was a Corsica and Beretta, and Chevrolet would be terribly mad if I let that pass, because the Corsica and the Beretta are brand new cars that are being produced now in our New Jersey plant and our Wilmington, Delaware, plant, and will be officially introduced to the public in April of this year. Outstanding cars, and they are in the subcompact area, and I think they will do an outstanding job, and we have not cut back production of those.

The GM10 program—

Senator METZENBAUM. Are you saying that when he says that—

Mr. BIEBER. Mr. Chairman, that is an error. I did not see it till this morning, but Mr. McDonald is right as to the fact that that is not a GM10 car.

Senator METZENBAUM. Chalk one up for Mr. McDonald.

Mr. BIEBER. Chalk one up for Mr. Bieber who has corrected that, and I hope you are going to give us the opportunity—

Senator METZENBAUM. No problem. No problem. I think part of the purpose of this hearing is to get the facts.

Mr. McDONALD. I didn't mean it to correct Mr. Bieber, I wanted to get a commercial for the Corsica and Beretta. [Laughter.]

The GM10 program is a 1988 program where we will be introducing new cars in Pontiac, Oldsmobile, and Buick. They are kind of replacements for what have been outstanding performers like the Grand Prix, the Cutlass Supreme, and the Buick Regal. We are absolutely sure they are going to be successes, and they will be produced in two plants in the United States and one plant in Canada.

Subsequently, in the following year of 1989 and 1990 we will be introducing the 4-door versions of those particular coupes and that will consume about four plants.

Now, we decided to continue producing what is now the A-car, because they have been very, very popular out there and they are doing very well, so, in fact, when we say that the GM10 goes from seven down to four, we are also keeping three plants of A-cars going at that time, so we haven't lost any plant at all.

On the engines, there are two things that I'd like to comment on. We have spent a considerable amount of money modernizing our engines. We have just completed an expenditure of \$750 million on our 60-degree V6 engine alone, which is an outstanding performer, and we just started production in a plant right outside of Lansing, Michigan, in a 2.3-liter, 4-valve, 4-cylinder engine that we say technologically will match any 4-cylinder, multi-valve engine in the world, and that will be introduced probably in June or July of this year to the public.

Senator METZENBAUM. Let's go back to Saturn for a minute. I am not sure that I understood why a goal of 500,000 units here was cut back to 250,000 units a year. Does that have something to do with the style?

Mr. McDONALD. It only has to do with the start-up of facilities. I think any organization would be crazy to put three to four billion dollars in a facility, as I said, and an all-new work force in an all-new plant with an all-new car. It would take us so long to get that started up that you would not utilize your capital investment. So we decided to start with half of that, get it cranked up, get it up to speed, get it on the market, and then we can go ahead with the investment of the rest of Saturn.

Senator METZENBAUM. Let me ask you: your joint venture with Toyota in Fremont, California, shows that you can deliver a high-quality, competitive product. I gather labor relations at the Fremont plant are good?

Mr. McDONALD. Labor relations at the Fremont plant are excellent, but I want to also point out that we have those same kind of relationships in many of our plants with the UAW. And, incidentally, the NUMMI plant, we got into that joint venture because, first of all, we needed a car down at that end of the line until Saturn came along, and also we felt that whatever we could learn from Japanese management, we wanted to learn. We have had over 800 of our people through the NUMMI operation at Fremont, including many of the union officials. As the result of that, we have many, what we call, NUMMI local agreements between the UAW plants and ourselves. The NUMMI principles are being spread throughout General Motors to help us be competitive, and, again, that, incidentally, is a UAW operation, and the UAW has been very, very cooperative.

And when we talk about quality, you know, I can state that General Motors today produces many world-class quality automobiles. We produce them in the United States and we do that as I indicated last week in a public announcement of our new 6-year and 60,000-mile powertrain warranty and corrosion warranty that we put behind our cars, because of the quality progress that we have

made. And I gave credit to the UAW and the entire work force for contributing to that kind of a performance.

Senator METZENBAUM. Are the labor relations a factor in the decision to close the Norwood and Hamilton-Fairfield plants?

Mr. McDONALD. Certainly, they are one of many, many factors that get involved in making that kind of a decision, and I will say two things: Back in the late 1970s and the early 1980s the relationships at these two plants were not the best of the line. What has happened here recently is there has been some real progress made in both plants, and, incidentally, from the day that we made the announcement, I want to salute the employees of both plants for the kind of attitude and performance that they have maintained since that time. They have done an outstanding job.

Senator METZENBAUM. From my discussions with the workers and the UAW and community, I know that there is a great determination to try to prevail upon General Motors to reverse its position. I am not a labor union representative, and I am not a labor negotiator, but I feel competent that I state the position of the union well without even having asked them that they would be prepared to sit down with General Motors to discuss the present posture vis-a-vis labor relations and to discuss anything else that General Motors would like to put on the table, because there is a resolve and a will to keep the plants open. I think I reflect the view of the workers at this plant. [Applause and cheers.] Would General Motors be willing to sit down and explore the possibility of their reversing their position in connection with these two plants?

Mr. McDONALD. Well, first of all, if anyone wants to sit down—I've never refused to sit down with anyone in my life—I will sit down with anybody, and, of course, we have great relationship with the UAW, and we meet often. I had a call last week from Jack Smith, one of the committeemen at the Hamilton plant, who wanted to know if I could meet with him 15 minutes this morning, so we, along with their chairman of the shop committee, met at the airport this morning in which they urged that we take another look at the things that are going on inside of Hamilton, and asked would we reconsider. I think it would be very misleading for me to sit up here and give encouragement that those two plants could possibly be reopened inside of General Motors.

The decision didn't come down because we were mad at anybody. The decision came about because of the fact that we have got more sheet metal capacity than we need in the United States for General Motors, simply because we have had to improve the efficiency in the utilization, the uptime, as we call it, of all of our press plants in order to be world-competitive.

The Norwood decision, as I indicated, came around mostly because of the market conditions. The Firebird and Camaro are still unique automobiles out there. We introduced the last version in 1982 and have had some updates since that time. It is just simply that there is a great deal of competition in that segment of the market, and the configuration of the Norwood plant is such that we really can't afford to put the three to four hundred million dollars that would be required to tool a new automobile in that plant. All my sources say it is a landlocked plant.

We will sit down and talk with anybody, but I think we would be a lot more productive in working hard to see what is the best way to dispose of those plants and hopefully dispose of them in such a manner that they can be active and useful plants for somebody, and, of course, to make sure all of the employees are given the right kind of input in terms of what happens afterwards, we have transition teams that are set up at both of those plants. We have a corporate community transition team that is looking at what else to do besides those things that we now have in terms of policies or agreements with the UAW.

Senator METZENBAUM. Mr. McDonald, I think the employees at these plants are realistic. I think they recognize that the General Motors decision is, in all probability, your final one. But having said that, I have oftentimes found that that which doesn't appear to be solvable, is solvable if you take one more whack at it.

I would like to ask you, not necessarily you personally, to take one more look at it, to see whether or not in a full-fledged meeting with proper management people—and you, of course, designate those—and with proper representatives of the union with the two different plants, to see if maybe somebody has an innovative idea.

I am frank to tell you that we don't want to lose these two plants. They are critical to this area's economy, and they are certainly critical to the well-being of the individuals. I am not sitting here challenging the plans and the concerns that General Motors has for the employees as well as the community. But I would just say to you that I will personally appreciate it, and I think I speak for every congressional representative from this state and others as well, if one more effort might be made at the bargaining table. I guess there would have to be separate meetings, because they are totally different kinds of operations, but I am certain that Mr. Bieber will send in whomever he should send in to try.

I don't want to give up. I would ask you to try to at least, rather than at the next meeting just talking about how we phase out, how we close down, how we treat the employees in the community, but rather take one more look at whether or not there is any chance.

I know once corporations have made a decision, it is pretty difficult to overcome that. But I also know that in more instances than one somebody has come up with an innovative idea that solved the problem that you didn't think you could solve.

Mr. McDONALD. I don't think we ever want to say we will quit talking to anybody on any subject, and I know the two plant managers, Herb Stone and Tom Brady, have great relationships with their union leaders at both plants. We will not only be open to any of those kinds of suggestions, but we would certainly be open to any suggestions—given the fact that the plants are going to close, are there any suggestions on how we can do things beyond what we have already, as I say, have in our agreements and our policies on what we will be doing. If there are any other suggestions on the use of the plants, we will be open to all of them.

We want to continue good communications with the work force and with the communities. So, without misleading anybody, I hope in the sense that there is any good possibility that those plants will stay open, we certainly will follow your request.

Senator METZENBAUM. Thank you very much. I am very grateful to you for that, because I just like to think there is a zillionth of a chance.

Mr. McDONALD. Never say never.

Senator METZENBAUM. All right. I spoke earlier about the fact that the Big Three auto makers are producing most of their small cars overseas. A May 17, 1986, article in the National Journal revealed this disturbing piece of information: "... U.S. auto makers are increasing their overseas investments in the production of luxury cars to capture the high profits associated with such cars and to take advantage of foreign design expertise." That bothers me. It bothers me because I can't believe that U.S. auto makers have to go overseas to get foreign design expertise, and I just wondered if you would want to comment on that.

Mr. McDONALD. The only luxury car that I know of that we come close to matching what you just mentioned is the car just being introduced by Cadillac called the Allante. The Allante will probably eventually get up to 7,000 or 8,000 total units per year. That body was designed by Pininfarina in Turin, and they are building the body, and we ship the bodies over here by 747 planes to Detroit. We bring those into our new Detroit plant where we have assembled the powertrains and the balance of the chassis. But I don't know of any conversation, thoughts, ideas that we have for bringing in so-called luxury cars beyond what we are doing with the Allante.

Senator METZENBAUM. Now, I understand that General Motors has 17 production plants in Mexico with 12 more to be opened in the near future. Let me ask you, how many autos does General Motors sell annually in Mexico? [Laughter, applause, and cheers.]

Mr. McDONALD. I don't know whether I know the number, but if you take cars and trucks together, it is probably over a hundred thousand, and a great deal of the content in the cars and the trucks that we produce in Mexico come from the United States. We produce absolutely no sheet metal in Mexico at all. All the sheet metal for our cars and trucks produced in Mexico comes from the United States.

Mr. JERRY DAVIS. You are the biggest employer in Mexico right now.

Mr. McDONALD. So whatever engines we produce, for instance, in Mexico, come back to the United States and give us export credit to allow us to ship into Mexico those parts that are assembled in the cars that we sell down there, cars and trucks.

Senator METZENBAUM. Mr. McDonald, I recognize the fact that American business corporations operate in Mexico, Korea, Japan, Germany and wherever, but I do have a basic premise, and that is that Americans are still your best customers and will always be your best customers. [Applause.]

If there comes a point where the American worker has a job at minimum wage or something slightly over that, and all of the manufactured products, whether they are TV sets or radios or refrigerators or autos whatever, or are made overseas and there is no buying capacity, we not only are going to be hurting General Motors and Ford and Chrysler, we are going to destroy the American free-enterprise system.

And I don't have to tell you about the balance of trade, for I know you have addressed yourself to that subject. It is a matter of concern to us in Congress. But if we do something about the balance of trade and do something about getting those foreign markets open to you but at the same time you take more and more of your production overseas, it may help the shareholders of General Motors, but it won't help the employees of General Motors, and that is our concern. [Applause.]

Mr. McDONALD. I don't think there is anybody that believes that more than we do in terms of trying to keep jobs in the United States, and, again, I will back up—

[Boos.]

Mr. JERRY DAVIS. Double talk.

Mr. McDONALD. I go back to the involvement we have made in this country, and you look at any company in the United States that has made those kinds of investments. When we talk about the foreign content in our automobiles and trucks, again, you are talking about three or four percent of our total. There has to be some flexibility to allow us to be competitive. We have to sell in an open market in this country against foreign competition. So unless we are competitive and unless we are a profitable company, we don't have the capital to invest that we have just indicated we have invested.

The \$41 billion comes from the fact that we have been a profitable company with a good balance sheet, and we do need the flexibility to remain competitive in order to do that.

Senator METZENBAUM. Now, you say that neither Norwood nor Hamilton/Fairfield is being replaced with production overseas. Can you tell me that three or five or seven years from now General Motors will not be building any sporty cars in foreign countries or buying any stampings offshore?

Mr. McDONALD. I can't—I can't—

[Laughter.]

Mr. McDONALD. We have no plans. I think it is an impractical thing to think of buying sheet metal stampings and quarters and fenders and deck lids and hoods overseas and shipping them into this country in the volume we need.

I will tell you what. If we can't be competitive in producing sheet metal parts in this country, we probably aren't going to make it.

Senator METZENBAUM. I say this to you: I came from the business world. Almost every company has a 5-year plan, and I would guess that General Motors operates on a 5-year plan, or maybe a longer one. Do your 5-year plans include a provision for building sporty road cars overseas or stamping overseas?

Mr. McDONALD. We have no plans for building cars like the Firebird or the Camaro overseas, and we have no plans that I know of anywhere for bringing sheet metal parts into this country, other than what goes back and forth over the Canadian boarder.

Senator METZENBAUM. You have no plans with respect to Korean purchases?

Mr. McDONALD. No, sir.

Senator METZENBAUM. With respect to sheet steel operation?

Mr. McDONALD. No, sir.

Senator METZENBAUM. You have expressed your commitment to building facilities around the country. Did you ever consider whether some of that capital could have been used more effectively to convert existing facilities and rely on current work forces? We know that sometimes it is easier to walk away from the old and build a totally new facility, but I am wondering whether or not there have been economic studies made by the company as to whether it is actually easier to start fresh. With the laws that we had up until recently where you had an investment tax credit and accelerated depreciation, it sometimes made more sense to do that from a profit standpoint. We have changed those laws. Is there any possibility that rehabilitation of old facilities can now become more a part of GM's program than the question of building entirely new facilities?

Mr. McDONALD. I guess it all depends upon what would be classified as "old." When you mention the Corsica and Beretta, those are going into Linden, New Jersey, and Wilmington, Delaware, and those plants have been around for a while, but they are completely modernized inside. If you talk about our Buick City plant, our Buick plant has been around for some time, and we completely redid that plant in order to build the Buick LeSabre and the Olds Delta 88, but, on the other hand, that plant had an engine plant, a sheet metal plant, and a forge plant, and all those were contiguous to that operation, so we did that.

I would say we modernized the Lordstown plant at Lordstown, Ohio. We were building a rear-wheel-drive automobile with separate body and frame, and we now have in there what we call an integral body, front-wheel-drive vehicle. The assembly procedure for a front-wheel-drive body is completely different than a rear-wheel-drive, separate body-and-frame car, and you have got to redo the assembly line in order to put that operation in there. So we have updated many of our—well, we said in our statement 12 assembly plants have been completely modernized besides the six that we built. So, yes, that is a possibility; it is being done.

Senator METZENBAUM. I was thinking about whether I had any questions on executive salaries and salaried employees.

The AUDIENCE. Yeah, yeah.

Senator METZENBAUM. Let me be very candid with you. I had some questions, but Mr. McDonald has indicated at least a smidgen of an opening, that he would be willing to sit down and talk with the employees. I want him to go away from here feeling good, not bad, not that I beat up on him. That may give him some satisfaction and I am more interested in trying to develop a positive relationship, keeping that opening in mind, so I will do that. [Applause.]

I do have a question about the CAFE standards. You mentioned in your statement that the fuel-economy standards help foreign companies more than they help American companies, and as a consequence of that statement—I thought I was pretty familiar with that law—I went back and checked and found that the same rules are applicable to all foreign companies as they are to American companies. So part of my question is, why that statement?

And the second part of my question is that according to Senator Glenn, you had indicated in 1986 that if the federal fuel economy

standards were not lowered, that General Motors would close the Norwood plant. The federal government lowered the standards, but the Norwood plant is being closed anyhow. Can you explain that which appeared to have been sort of a representation—I don't know if I can call it a commitment—but certainly an implication that if they were lowered, the Norwood plant would stay open, and now we know that it won't. Do you understand my question?

Mr. McDONALD. I think I understand your question. The talk about CAFE standards, you know, it has always bothered me from the day they were put into force that a company like General Motors, which has covered the full gamut of the market, had to meet the exact same CAFE standards as companies like Toyota and Honda and Nissan that only served the lower part of the market, exactly the same.

If you look at our CAFE standards back in 1974, our fleet average fuel economy was 12 miles per gallon; today it is 26.4 miles per gallon. So we have made tremendous progress in improving the efficiency of our vehicles, and yet we have maintained being a full-line producer and serving the full market. That's the way to keep jobs here in the United States, but it is a tough challenge.

Again, as I say, we as a full-line manufacturer, have to meet the same standards as the lower end.

Senator METZENBAUM. How has Chrysler met them?

Mr. McDONALD. Chrysler—this is a prejudiced viewpoint, but they do not serve the upper end of the market, if you want to put it that way. That is a prejudiced viewpoint, I agree, but nonetheless, they don't have a Cadillac Fleetwood. When you look at the Camaro/Firebird line, our Z-28 and Camaro and Trans Am and Firebird, they don't have anything to match with the Trans Am or the Z-28. Those are what we call performance automobiles, not necessarily the most fuel-efficient automobiles in the world, but they are the kind that America likes to buy.

Senator METZENBAUM. I heard your argument that you sell only cars that Americans want to buy, and, of course, I understand that. The fact is that Chrysler has been doing well, and we cannot deny that. They met the standards. If you made the Sprints and Spectrums here, you probably would be closer to meeting those standards, and I want to refresh your recollection about these standards. It was some years ago when we really had an energy shortage in this country. There was a sense of alarm and panic, and some of us thought there ought to be a law that no car could be manufactured that didn't get at least so many miles to the gallon. I was one of those pushing in that area.

The CAFE standards which came about were based on the auto manufacturers arguing, "Let us have an average standard." So the manufacturers were more interested in bringing about that kind of a solution, and then, in order to be sure that there was conformity, Congress provided for penalties. Those penalties would have been operable and would have cost you, I think, \$385 million in 1985.

Senator Glenn wrote to Roger Smith, Chairman of your board, and said that you had said if you had to meet that standard that you "will be forced to cut production of larger cars and move production out of the United States. You have claimed that this would mean a loss of thousands of jobs nationwide, and you recently iden-

tified the Norwood and Toledo GM facilities as those in Ohio which would be affected if the CAFE is not lowered."

My point to you is: it was lowered. You succeeded in your efforts, and I am frank to tell you I was not on your side in that effort. But you succeeded, partially because of the representation concerning the Norwood and Toledo plants and other plants as well. Now, are you sort of going back on your word? [Applause.]

Mr. McDONALD. The closing of Norwood had nothing to do with the CAFE standards. That is simply a marketplace decision. If we were to sell all of the Camaros and Firebirds that we could have, I am sure we would keep Norwood going as long as we could. It had nothing to do with CAFE standards.

Senator METZENBAUM. But according to Senator Glenn's letter to Mr. Smith, that was one of the representations that was made to him. I would guess similar representations were made to Senators from other parts of the country when the effort was made to keep the United States Congress from undoing the relaxation of the rules that NHTSA was about to put into effect. We were prepared to take action on it and reverse the National Highway Transportation Safety Administration decision. We were going to reverse it, but representations of this kind were made, and I think it affected Senator Glenn's thinking.

Now I am saying that you made the sale, but, in fact, he says, "GM workers from Norwood have written to me in support of a relaxed CAFE standard, claiming that their jobs would depend on it." Well, here is a Senator who thinks that obviously the workers didn't get that idea in their own heads; management must have told them that. Management must have importuned them to "write to your senators and tell them." They did; you prevailed. And now for a reward, you are closing the plant. Do you see my point? It sounds as if you are breaking your word. [Applause and cheers.]

Mr. McDONALD. I guess what that really says is that if the market had been an outstanding market and we had not had relief on the CAFE, that we would have probably shut Norwood down even if the market was great. This particular decision has really nothing to do with the CAFE; it is purely the market.

Senator METZENBAUM. Now, I understand General Motors has put its parts plant in Elyria, Ohio, up for sale. I further understand that the Elyria plant is profitable, and that a condition of the sale will be the continued supply of parts to GM. Could you shed some light on that situation with regard to the Elyria plant? Does GM have any plans to divest itself of other hardware facilities and enter into a subcontracting relationship with them? Is this an effort to put the plant into somebody else's hands so that that employer will not be bound by the contract of General Motors and be able to somehow lower the wage costs of the employees at Elyria and elsewhere?

Unidentified person. Right. [Applause.]

Mr. McDONALD. We are a much more highly integrated company than either Ford or Chrysler in terms of the components that we make inside versus what they already have outside. The fact is there are many parts that we are producing inside of General Motors that can be produced outside General Motors in the United States in union plants at much less cost than we can now produce

them. If we are to be world-competitive, we have to be able to at least be able to get our parts at the same cost base as our competitors and particularly our domestic competitors. So we are looking at a great deal of our components in the United States to see how we can get that cost base lowered. The Elyria plant is a case in point. Much of the product in Elyria can be bought in the United States at less than it costs us to produce that product in the Elyria plant.

Senator METZENBAUM. There is concern that General Motors will not stay the full 2 years here as has been indicated. Obviously, that causes severe disruption. Could you comment on that?

Mr. McDONALD. I think the marketplace, again, will determine what happens to Norwood. I mean, if the market is there, we will keep running it; if the market is not there, we will just have to shut it down earlier. We have given an outside position, and I think it was sometime in 1988 or early 1988.

Senator METZENBAUM. Sometime in 1987 or the latter part of 1988.

Mr. McDONALD. No, I said sometime in early 1988 or the summer of 1988. I am not exactly sure, but that is the outside position. Again, we have no other reason to change that other than the marketplace.

Senator METZENBAUM. Would you be prepared to make some major concessions in turning the properties over to the community or another company in order that these employees can be kept working?

Mr. McDONALD. As I said, we have a corporate community transition team that will take a look at any thoughts and any ideas that could be helpful to the employees in the community in that way. We have really never been through this ourselves. We have had experience of a plant in Cleveland or Euclid which we sold to a generic, charitable organization, and we have also had the experience of selling a plant in Southgate, California, in which we sold that to the community. So, again, I say we will be open to any thoughts or ideas and willing to work with the community or with the employees.

Senator METZENBAUM. Excuse me for a minute. Congressman Lukens has some questions, and I will turn it over to him.

STATEMENT OF HON. DONALD E. LUKENS, A U.S. CONGRESSMAN FROM THE STATE OF OHIO

Congressman LUKENS. Mr. McDonald, I am not known to be the world's shyest man. I came here to take a piece out of GM's anatomy. [Applause and cheers.] On two grounds, ground number one, I don't think GM has proven the case to the public, certainly the employees and the management, and to me as a local representative—and I am a representative here—for the need to close at this time.

Now, I will admit I am not as familiar with the Norwood plant as I am with my own specific geographic area, namely, Fairfield. But with a plant here where management and labor came to an understanding two and a half years ago that it would really improve things, and they did. They turned it around. It is now consistently, over the last two and a half years, probably the most

cost-efficient, on-time, high-quality producing stamping plant in your system, and your reward is they are going to have their jobs taken away.

Now, my question is, does it take four or five years for GM to make a decision, vis-a-vis the Japanese companies' apparent capacity to do it in two and a half to three years? Is there a lag there in implementing the decision-making process to take us from where we are to where we are going to go?

Mr. McDONALD. We almost have to go back to the 1980 and 1981 period when General Motors was looking at what it would take to get to be world-competitive against the competition we knew we were going to face. There were many, many decisions that were made, and in the area of pressed metal operations it was determined that we had to increase up-time from the 40 or 50 per cent we were experiencing to 70 or 80 if we were going to be world-competitive. By going through that process of improving up-time, reducing the amount of time it takes to change the dies, the transfer time for us to get into our operation—improving that upward, simply said, with the number of pressed-metal plants we had, we had too much capacity and something had to be closed.

And I think to go back to those days of 1980 and 1981, the people that were looking at those decisions at that time looked at the relationships that existed between labor and management as one aspect, and it was not the greatest, and so they, in their long-range plans, said, "Well, we will put our modernization money in other plants." That was part of the factor.

Congressman LUKENS. I have one other question that really bothers me: If the Saturn plant was put on long-range—and I gather it is from your testimony, we just heard that—long-range survival and profit goal of General Motors, they do not have a stamping facility at the present time located in the Saturn organizing program, is that correct?

Mr. McDONALD. We are just starting to build the plant. We have cleared all of the ground.

Congressman LUKENS. A stamping plant at Saturn?

Mr. McDONALD. A total complex.

Congressman LUKENS. It will be a total complex?

Mr. McDONALD. Yes, sir.

Congressman LUKENS. So the need for stamping facilities other than—anywhere else in the system is not necessary, will not be necessary?

Mr. McDONALD. If you look at—

Congressman LUKENS. Is that a "yes" or "no"?

Mr. McDONALD. If you look at the modern approach to stamping and assembly plants, you would really like to have stamping plants contiguous to the area of the assembly plant. If you look at the Fremont plant when the Toyota came over, they built a stamping plant right at the assembly plant. That is the most efficient operation you can have. It is impossible for us to disband all of the stamping plants we have got and end up with contiguous stamping. But if you are going to look at the most modern, efficient approach to producing an automobile,—and that is the Saturn approach—then you should have stamping facilities contiguous to the assembly plants.

Congressman LUKENS. O.K., I get it the answer is yes, it is programmed at the present time that everything you need to produce the total automobile will be enclosed and housed in the Saturn plant?

Mr. McDONALD. We are talking about a plastic operation.

Congressman LUKENS. Is that a "yes"?

Mr. McDONALD. The answer is yes.

Congressman LUKENS. Thank you. You know, I can't go "maybe," I have got to go "yes" or "no." I tend to oversimplify some things.

Mr. McDONALD. Yes, it is oversimplified, because there are some small components that will come from suppliers around there that will not be part of our operation.

Congressman LUKENS. All right. Is it also a fact that it is going to cost approximately \$120 million to shut down Hamilton/Fairfield plants? I assume Norwood would be close to \$400 million; is that correct?

Mr. McDONALD. I am not sure what the forecast is, but it will cost several million dollars.

Congressman LUKENS. The jobs that are being lost here in Southern Ohio, will they disappear from the GM system forever, or will they reappear at some of your plants, such as your half-billion-dollar or billion-dollar program for Mansfield and Parma? Will these jobs currently occupied by our people be replaced by people up in that area?

Mr. McDONALD. The parts out of Hamilton, I look at them on two different bases. Those parts that are not connected with the Camaro or Firebird will be secured somewhere else in General Motors.

Congressman LUKENS. In the United States?

Mr. McDONALD. In the United States.

Congressman LUKENS. Probably in Ohio—hopefully?

Mr. McDONALD. Well, certainly, Parma and Mansfield, by getting the transfer presses and including their improved up-time, are going to be producing a lot more parts than they are today, so they would be good candidates for that work.

Congressman LUKENS. Mr. Chairman, I thank you for the opportunity to ask questions. I gather there is a possibility of saving some of our options, given the worst scenario, that you close both plants, you continue on stream, what program do you have existing now to assist those of us who have got to help all these displaced workers to, first of all, qualify, be eligible for retraining monies and, second, to guarantee them they will be eligible for that retraining monies? Is there a program currently in-plant headed by a staff person from GM corporate headquarters other than just the plant people? Is there anyone here now really, you know, really honchoing and bossing this program? Do we have a program in existence?

Governor Celeste had an excellent meeting with your C.O., Roger Smith. He made the statement, or at least there is a quoted statement attributed to Roger Smith, "We are not in the plant-closing business." Now, hopefully, that is true for GM and for our country, but, by God, in this area you are in the plant-closing business, and I want to know that there is some kind of real program for taking

care of our displaced workers. I would like to know what you are doing.

Mr. McDONALD. I guess I could give you three units on that. Each one of the plants, Hamilton and Norwood, has a transition team already underway, and the heads of those transition teams are the two plant managers. At Hamilton that is Tom Brady. I can give you his telephone number if that would be helpful.

Congressman LUKENS. I have it, but I appreciate it.

Mr. McDONALD. And Herb Stone, the plant manager in Norwood, is the head of that transition team. The corporate community transition team—the head of that is Dr. Marina Whitman, W-h-i-t-m-a-n. Her telephone number is Area Code 313-556-3572. Dr. Whitman is a vice-president and group executive of General Motors. She is in charge of what we call the Public Affairs staffs—interested in government relations, public relations and environmental activities, and she is heading up that team. She works directly for the chairman, Roger Smith.

Congressman LUKENS. I have one more. Obviously, the team that you have appointed will be at the plant.

Mr. McDONALD. Yes.

Congressman LUKENS. Will there be any key GM corporate types down here personally overseeing the worker retraining and eligibility? I am not concerned about eligibility. I have had several people come to see me who apparently are not qualified for the retraining benefits, so those benefits don't mean anything to those people. You know, if you are not qualified, it doesn't make any difference whether they exist or not. I am interested, first of all, qualifying as many as I can, a hundred per cent, hopefully; and, secondly, making sure that they get the full benefit. Who do I go to?

Mr. McDONALD. If you go to either one of those plant managers, I am sure these transition teams are joint GM-UAW transition teams, incidentally, and they do have people on their staffs that have all of those answers, and if they do not have them, they have access to the corporate people that they need to get the answers.

Congressman LUKENS. I am imposing on the good Senator's time. I think what I am getting at is simply this: I think plant managers are terrific and teams are terrific, but, sir, our problems are access and clout, and you walk out of here and you leave Senator Metz-enbaum and people like me with the problem of making sure that we can solve these problems. I want somebody I can go to and lean on, or I will be back at your door again. [Applause and cheers.]

Mr. McDONALD. I am not being evasive. I just don't know what they have put together, but when you get a person like Dr. Marina Whitman heading up that corporate community team, you can bet that the right kind of people will be available to take care of the problems you have talked about. And you have access to me any time you want it.

Congressman LUKENS. I thank you for your time and courtesy, and I assure you that I will test the system.

Mr. McDONALD. Thank you.

Senator METZENBAUM. Thank you, Congressman.

Lieutenant Governor Leonard is in the audience. Won't he come up and join us at the head table? Paul Leonard, Lieutenant Governor of our state. [Applause.]

Mr. McDonald, in choosing Norwood—you mentioned the recent investment to update the Van Nuys plant—it is my understanding that as recently as 1981, General Motors invested \$290 million in the Norwood facility. Wasn't more than two-thirds of this Norwood plant modernized in the past 30 years?

Mr. McDONALD. Past 30 years? You know, I really can't talk to that. We put in a paint system in the late 1970s or early 1980s period of time. That is an excellent paint system. We have an excellent waste-water-treatment operation here. I think we have an excellent powerhouse here in the Norwood facility. But other than that, as I said, it is still a 3-story operation.

Senator METZENBAUM. I understand the problem of the 3-story operation. I think everybody comprehends the point there. I think that I would like to conclude by asking you two questions. One, what new automobiles and automotive products have you planned to manufacture in the next several years, and two, can we get any assurances from you that some of those products will be built in the Ohio community?

Mr. McDONALD. I don't think we are going to lay out our entire product program here, but we have new cars coming in 1988, 1989, 1990 in the United States, as I said earlier. You know, it is hard not to build here and sell here. As far as Ohio, the Cavalier and the Sunbird are being built at our Lordstown operation, and I know that we have what we call a styling update for those cars scheduled, I think it is for the 1989 model year, which will freshen those cars and keep them very competitive. So I look for the Lordstown operation which, incidentally—if we go back to the 1972 era—that was the big-car-blues era—they now have an outstanding relationship at that particular plant, and I look for that to stay open and be competitive for a long time. That is a relatively new plant, sir, built in the 1960s.

Senator METZENBAUM. Let me conclude, Mr. McDonald, by bringing you back to where I was at some earlier point, and that is to say that I appreciate your willingness to take at least one more shot at the bargaining table. You haven't given any assurances, and I didn't expect that you would, that this will result in a favorable development. But I will say that sometimes you or someone else from General Motors will come into my office and maybe I won't be totally on your side, but maybe I will be more on your side if I can prevail upon you to keep these plants operating. We need you; maybe some day you will need us. Thank you very much.

Mr. McDONALD. I conclude by saying this is my first experience at this kind of a hearing. I certainly appreciate the way that you have conducted it under the conditions which none of us like very well, and I just keep hoping that one of the strengths of General Motors, of course, is its work force. Thank you very much.

Senator METZENBAUM. Thank you. You can state to Roger Smith that we appreciate his cooperation in making it possible for General Motors to have you with us here today. Thank you very much. [Applause.]

Congressman Lukens has indicated he will file an opening statement as has Senator Glenn. We will receive those statements for the record at this point.

[The prepared statements of Congressman Lukens and Senator Glenn follow:]

DONALD E. LUKENS
8th DISTRICT, OHIO

Congress of the United States
House of Representatives
Washington, DC 20515

PANEL DISCUSSION IN NORWOOD, OHIO, ON GM CLOSINGS

TIME AFTER TIME GENERAL MOTORS HAS BEEN APPROACHED FOR ANSWERS AS TO WHY THE HAMILTON-FAIRFIELD AND NORWOOD PLANTS ARE BEING SHUTDOWN.

HOW CAN YOU SHUTDOWN A PLANT THAT HAS, OVER THE LAST TWO AND ONE-HALF YEARS, BEEN RATED ONE OF THE BEST IN THE ENTIRE GENERAL MOTORS SYSTEM? ON THE SURFACE, THIS DOES NOT SEEM LIKE A VERY EFFICIENT WAY TO RUN A BUSINESS. A REPORT DONE BY THE BUTLER COUNTY TASK FORCE, ON THE CLOSING OF THE HAMILTON-FAIRFIELD CPC PLANT REPORTS THE REPLACEMENT COST OF THE HAMILTON-FAIRFIELD CPC PLANT TO BE OVER \$50 MILLION, NOT INCLUDING THE COST OF THE SPECIALIZED EQUIPMENT SUCH AS CRANES AND CRANEWAYS. FURTHER MORE, THE STUDY SHOWS AN ADDITIONAL COST TO CLOSE THE PLANT WILL BE \$116 MILLION. THIS ADDED TO THE COST OF THE PLANT COMES TO \$166 MILLION.

WHEN GOVERNOR CELESTE MET WITH THE CEO OF GENERAL MOTORS, ROGER SMITH, A FEW WEEKS AGO, HE LEFT WITH THE IMPRESSION THAT GENERAL MOTORS HAD NOT GIVEN UP HOPE ON KEEPING THE GM PLANTS IN SOUTHWESTERN OHIO OPERATING. WHY DID CELESTE COME AWAY WITH SUCH A FEELING? WHAT NEEDS TO BE DONE BY ALL THOSE CONCERNED IN ORDER TO KEEP THE PLANTS OPEN?

IF GENERAL MOTORS COULD BEGIN TO WORK WITH MANAGEMENT, WORKERS AND COMMUNITY LEADERS, A VIABLE SOLUTION COULD BE AGREED UPON. IF YOU DON'T WORK WITH US NOW, HOW CAN WE EXPECT A POSITIVE WORKING RELATIONSHIP IN THE FUTURE?

HOW CAN GENERAL MOTORS LAY OFF 30,000 WORKERS WHILE SIMULTANEOUSLY GIVING OUT BONUSES TO ITS EXECUTIVES? WHAT DID THOSE EXECUTIVES DO TO DESERVE SUCH A BONUS?

GENERAL MOTORS GAVE H.ROSS PEROT \$700 MILLION TO LEAVE AND STOP CRITICIZING MANAGEMENT. I HAVE AN IDEA THAT WILL SAVE GM MONEY. GIVE OUR WORKERS HERE IN SOUTHWESTERN OHIO \$500 MILLION DOLLARS AND LET THEM RUN THEIR PLANT. I'M SURE THEY WILL NOT CRITICIZE MANAGEMENT.

GENERAL MOTORS WAS BUILT BY THESE WORKERS. OVER THE YEARS THERE HAS BEEN A GOOD RELATIONSHIP BETWEEN GENERAL MOTORS AND SOUTHWESTERN OHIO. FAMILIES HAVE BEEN BROUGHT UP AROUND GM. DIFFERENT GENERATIONS HAVE WORKED SIDE BY SIDE MAKING THE BEST AUTOMOBILES IN THE WORLD. NOW IT LOOKS LIKE THE RELATIONSHIP IS COMING TO AN END. THERE ARE MANY WAYS TO END A RELATIONSHIP. SINCE GENERAL MOTORS IS ENDING THIS RELATIONSHIP, IT'S UP TO GM TO DECIDE HOW IT WILL END.

DONALD E. LUKENS
8th DISTRICT, OHIO

Congress of the United States
House of Representatives
Washington, DC 20515

SPECIFICALLY, WHAT IS IT THAT YOU ARE GOING TO DO FOR THE WORKERS AFFECTED BY THE PLANT CLOSINGS? WHO IS IN CHARGE OF THIS PROGRAM? WHERE CAN THAT PERSON BE REACHED? WHAT HAS ALREADY BEEN DONE FOR THE WORKERS? HOW MUCH MONEY HAS GM ALLOCATED TO HELP THE AFFECTED WORKERS? WHO DO WE GO TO IF SOMEONE HAS TROUBLE GETTING AVAILABLE FUNDS OR TRAINING? AS OF LAST EVENING THERE WAS NO ONE FROM GENERAL MOTORS WORKING ON THESE PROBLEMS.

YOU MUST COME TO GRIPS WITH THE FACT, MR. MCDONALD, THAT GENERAL MOTORS IS NOW IN THE BUSSINESS OF CLOSING PLANTS IN SOUTHWESTERN OHIO. GM NO LONGER MAKES CARS IN THIS PART OF THE COUNTRY, THEY CLOSE PLANTS AND LAYS OFF WORKERS. MY ONLY HOPE IS THAT THEY DO IT WITH COMPASSION AND CARE FOR THE PEOPLE WHO HELPED MAKE THEM THE LARGEST CORPORATION IN THE WORLD.

Senator John Glenn

News Release

STATEMENT OF
SENATOR JOHN GLENN
AT A HEARING OF THE
UNITED STATES SENATE
SUBCOMMITTEE ON LABOR

JANUARY 26, 1987

NORWOOD, OHIO

I am pleased that my friend and colleague, Senator Metzenbaum, is holding this hearing today to examine the impact of the proposed General Motors plant closings in Ohio. We must work together to seek a reversal of the General Motors decision or, if that is impossible, to assist the Norwood and Hamilton-Fairfield communities in recovering from the severe blow of the closings. In any event, there's got to be -- as one of GM's competitors put it -- a better idea.

The proposed closings would be devastating in both social and economic terms. About 6500 employees would be directly affected, thousands of non-GM workers would be affected by the ripple effect, and valuable tax revenues would be lost to the communities.

GM's action is particularly disappointing because it comes just a few weeks after the company successfully prevailed on the Federal government to reduce the auto industry's Corporate Average Fuel Efficiency (CAFE) standards. GM argued that unless those standards were lowered, they would have to close down plants like Norwood that make large-engine cars. Many Ohio auto workers contacted me and urged my support for the lower standards

more

because they were led to believe that it would save their jobs. Consequently, I wrote to GM requesting that it make a commitment to keep its U.S. plants open, in Ohio and elsewhere, for the 1987-88 period in exchange for a relaxed CAFE standard for the 1987-88 model years. The standards were lowered in October by the Department of Transportation, but now GM is closing these plants anyway. This is certainly a sad development for the workers at Norwood and other plants who supported the lower standards, thinking that their jobs depended on it.

I pledge to continue working with Senator Metzenbaum, Representatives Gradison and Luken, Governor Celeste and Lieutenant Governor Leonard, Mayor Sanker, Owen Bieber, and other federal, state, local and union officials to reverse the GM decision or, if the decision is final, to alleviate the hardship caused by the closings. I have contacted the Department of Defense to see if there might be any defense production needs which could be met by these plants. In addition, I have contacted GM to inquire about the possibility of moving alternative GM production into these plants or donating the property to the community for future economic development. GM's plans with regard to the plant sites are crucial to the area's future economic development, and I hope we get some answers from GM today on these plans. We have a skilled and dedicated work force in place in Norwood and at Hamilton-Fairfield. And they want to continue working on an assembly line producing a quality product -- not standing in an unemployment line producing nothing.

I will also support the city of Norwood's application for a grant from the Economic Development Administration in order to pursue its economic adjustment strategy. EDA assistance is crucial to the community's ability to create new employment opportunities.

The situation we face today emphasizes even more clearly the need for legislation to assist dislocated workers and to reform our trade laws. This week I will reintroduce the Labor Productivity Assistance Act, a bill to create a training trust fund to provide retraining loans for dislocated workers, displaced homemakers, and persons employed in declining industries. Participants affected by layoffs or plant closures may receive low interest loans to finance employment search, skill training, and relocation expenses. I am proud that Senators Metzenbaum and Kennedy are joining me as cosponsors of this bill.

Efforts have already begun in the 100th Congress to draft a comprehensive trade bill, and I will sponsor legislation to protect the rights of American workers and firms to fair trade. Faced by closed markets abroad and subsidized imports here at home, many American businesses and farmers find themselves unable to compete with foreign manufacturers and producers. The result has been closed U.S. factories, the loss of thousands of jobs,

MORE

-3-

weakened national security, and the first agricultural trade deficit since 1959. As this city knows too well, many jobs in Ohio are dependent on the steel, auto, heavy manufacturing, and agricultural industries. I for one am not ready to stand idly by and see these essential industries deteriorate.

Contrary to what the Reagan Administration has claimed, the trade bills under consideration by Congress are centrist -- not extreme or protectionist. The legislation strengthens the tools of fair trade by making the President use his authority under the law to combat unfair trade practices by other countries, and by encouraging open foreign markets to U.S. goods. We're simply telling our trading partners that our markets won't be fair game until the game is made fair. I believe that given the right tools and a fair chance, American workers and industries can still outinvent, outcompete, and outproduce anyone in the world.

I commend Senator Metzenbaum for holding this hearing today, and I look forward to working with him on this important issue.

-30-

Senator METZENBAUM. So all may know, we invited all the congresspersons—and Senator Glenn, who wanted to be here but couldn't be here—who have an interest in the subject to be with us. Congressman McEwen told me he could not be here.

Congressman Gradison was snowed in. He has a statement which we will insert in the record at this point.

[The prepared statement of Congressman Gradison with attachments, follows:]

STATEMENT OF REPRESENTATIVE WILLIS D. GRADISON, JR.

On several occasions, I have attempted to determine what plans General Motors has for the Norwood facility. In March 1986, I sent a request to the Chairman and Chief Executive Officer of GM for any information he could supply regarding Norwood's future. I was assured verbally by GM officials in Washington that, as of April 22, 1986, GM had no plans to close the plant.

Following the announced closure of the facility here, I sent another request to GM in December, seeking answers to specific questions that will affect the planning of the City of Norwood in the event the plant does close, as well as urging a reconsideration of the decision.

I was disappointed by the delay in, and the substance of, the response I received from corporate officials. Mr. Chairman, at this time, barring an objection, I would like to submit this correspondence for the record.

I conclude with the observation that, when engaged in lobbying, corporations, as well as other groups and individuals with an interest in an issue before Congress, expect their elected representatives to address their concerns.

No. one finds fault with the effort of GM to become a more effective competitor in the marketplace. However, given the long standing relationship between General Motors and the City of Norwood many of us in the community expected that a greater effort would have been made to provide important information in a timely and efficient manner.

TELEPHONE
205-224-1111

MAIL ROOM
205-224-1111

RECEIVED
MAY 19 1986

Congress of the United States
House of Representatives
Washington, DC 20515

March 25, 1986

TELEPHONE
205-224-1111

MAIL ROOM
205-224-1111

RECEIVED
MAY 19 1986

Mr. Roger Smith
Chairman and Chief Executive Officer
General Motors Corporation
3044 West Grand Blvd.
Detroit, Michigan 48202

Dear Roger,

As you know, the General Motors Assembly Division has a plant in Norwood, Ohio. This plant is one of the major employers in Hamilton County and is crucial to the financial base of the City of Norwood, which is located within my congressional district.

Concern has recently been expressed over rumors that General Motors is considering closing this facility. I would greatly appreciate any information you could provide me regarding GM's plans for the future of the Norwood plant. I look forward to hearing from you.

Sincerely,


Bill Gradison
Representative in Congress

RG/ku

Mr. Roger Smith
Chairman and Chief Executive Officer
General Motors Corporation
3044 West Grand Blvd.
Detroit, MI 48202

Congress of the United States
House of Representatives
Washington, DC 20515

December 2, 1986

General Motors Corporation
3044 West Grand Blvd.
Detroit, MI 48202
Telephone: (313) 844-2418
Telex: 150 EAST BOUND STREET
DETROIT, MI 48202
Telex: 150 322-1762

Mr. Roger Smith
Chairman and Chief Executive Officer
General Motors Corporation
3044 West Grand Blvd.
Detroit, MI 48202

Dear Roger:

I am writing concerning the announced closure, to be completed by mid-1988, of the General Motors CPC assembly plant in Norwood, Ohio. As you are aware, this plant is one of the major employers in Hamilton County and has long been crucial to the financial base of the City of Norwood, located in my congressional district.

While I recognize that GM was faced with difficult choices leading up to the recent announcement and that GM has attempted to explain its decision to the public, I am concerned that many questions surrounding the closing of the Norwood plant have not been addressed satisfactorily.

I would appreciate detailed information which may shed additional light on the factors leading to GM's decision. In particular, I am interested in why the Van Nuys plant, which is so far distant from your markets, will be kept open while the more centrally located Norwood plant is to be closed. Additionally, what steps could be taken by local officials, union leadership, or plant managers that may lead to a reconsideration of the Norwood decision?

If the closing of the Norwood plant is final, what is the timetable under which GM will be operating? Specifically, if the decision is final, when will the second shift at the plant begin to be phased out?

The City of Norwood is in a difficult position from which to plan its fiscal future and the services to be provided to its citizens without answers to these questions. Has General Motors made any provision to assist the City of Norwood and the Norwood School Board financially during the transition period when the plant will be phased out, and what plans does GM have, at present, for the physical plant at the site?

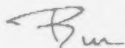
Mr. Roger Smith

Page Two

I am sure you appreciate the importance of these issues to the people of Norwood and surrounding communities. I would like to meet with you, or an official of General Motors authorized to make decisions, as soon as possible. I would prefer to meet in Cincinnati or Washington, but would be willing to meet elsewhere if it would facilitate a thorough review of these questions.

I look forward to hearing from you soon.

Sincerely,



Bill Gradison
Representative in Congress

cc: Mayor Joseph S. Sikes

General Motors Corporation

LEWIS L. DALE
DIRECTOR, WASHINGTON OFFICE
INDUSTRY-GOVERNMENT RELATIONS
1202/775-5071

January 15, 1987

The Honorable Bill Gradison
U.S. House of Representatives
2311 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Gradison:

Mr. Roger B. Smith, Chairman of General Motors, asked me to respond to your letter in which you raised several questions concerning the announced closure of GM's assembly plant in Norwood, Ohio.

As you can imagine, the decision to close the Norwood facility and other GM plants was not an easy one. Having produced 8,000,000 cars and trucks since 1923, the Norwood plant clearly has been a major contributor to GM, the city of Norwood and the State of Ohio.

The competitive environment, however, is much more severe than any other we have faced in the past. New competitors and growing production overcapacity demand we reduce our costs, improve our quality and speed up our response time company-wide -- in short, become a more effective competitor. Continued operation of the Norwood plant, one of our oldest and least modern facilities, would not contribute to meeting these objectives.

As a result, we plan to terminate operations at the Norwood facility. Recent efforts by workers at the plant to become more competitive have been admirable and appreciated but unfortunately cannot alter this decision. The physical plant is simply too old to justify further investment.

A specific timetable for phasing out of production has not yet been determined. Future demand for the product is now

Hon. Bill Gradison
January 15, 1987
Page Two

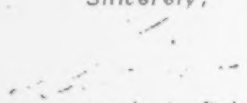
being assessed and will, of course, determine the production schedule. The current forecast for a final production halt is mid-1988. We will advise you if this estimate changes.

Following closure of the Norwood plant, our Chevrolet Camaro and Pontiac Firebird product lines will be assembled only at our Van Nuys facility. In your letter, you questioned why we would elect to retain the less-centrally-located facility in Van Nuys. Location was one of many factors considered in our decision-making process. However, General Motors has generally followed a policy of not publicly discussing the pros and cons of operating different plants because we have not wanted to pit employees in one plant against employees in another.

We recognize the decision to close the Norwood facility creates a difficult situation for the city of Norwood. We have established a transition team at the Norwood plant to help deal with the effects of the closure on the plant's employees and their community.

Working together, we can help the workers and communities through this very trying period as we all try to cope with this tough national problem.

Sincerely,



Lewis I. Dale

LID/cdd

Senator METZENBAUM. Our next witness is Owen Bieber, President of the United Auto Workers of America. [Applause.] He is accompanied by Regional Director Charles Bowling, and Administrative Assistant to Vice President Don Ephlin, Robert Walker.

STATEMENT OF OWEN BIEBER, PRESIDENT, UNITED AUTO WORKERS OF AMERICA

Mr. BIEBER. Thank you very much, Senator, and let me first of all, start by saying that we have filed a formal statement with your committee. I am this morning not going into that statement verbatim. I have tried to shorten it up a little bit, and, of course, I have been listening to Mr. McDonald, and some of the questions that you and the rest of the panel have raised may find its way into my opening remarks a little bit. I certainly hope that you will raise some of the same questions put to Mr. McDonald, and I would like to make some comments relative to that.

Senator METZENBAUM. Let me just say to you and to the other witnesses: I just looked down at my list of witnesses, and it is pretty heavy. I also saw how long I took for questioning Mr. McDonald, I certainly don't want to foreclose you for whatever time you need, but I would like everybody to be aware of the fact that we have some time constraints, although it is not much of a problem.

Mr. BIEBER. I appreciate that, Senator, and since you and others have given me at least, as a minor league, a break-in in Washington, I will try to do that same thing here today in Ohio.

I do want to thank you, Senator Metzenbaum, and the rest of the committee for inviting me to testify today on the problem of plant closings at General Motors. I know that our testimony here today is primarily on General Motors, primarily to focus in on the two plants here in Ohio.

I would like you to take into consideration that as President of the United Auto Workers, it is not just a question of two plants here in Ohio, it is at the moment eleven plants throughout the United States, two here in Ohio, six in Michigan, one in Missouri, et cetera, that find themselves in this same situation. And I would hope that perhaps—and I think we have, or I would like to, in my testimony, expand today's hearing to talk about plant-closings in general and talk a little bit about what is causing these plant closings here in Ohio, as well as across our nation.

I want to explain why I think these plants are closing, what the ramifications will be for UAW members and for the communities in which they work, and that obviously includes the two communities here in Ohio. But I also think we need to talk a little bit about what these plant closings mean for America's future and how they demonstrate the need for community-government-employee participation in decisions that have such enormous social consequences.

In the last few years we have watched, first with hope, then with concern, as GM flirted with one quick fix after another to address the erosion of its market share. As a trade unionist it is difficult for me to ever accept that a plant must close. I know only too well the terrible human cost that goes with those closings, and yet I rec-

ognize in a dynamic economy, change is essential and some plants will close.

In American manufacturing industries today, however, I am convinced that far too many plants are closing needlessly. Even when a plant's closing is justified, moreover, it imposes tremendous cost which must be shared equitably.

After several years of unsuccessfully trying to hold and recapture market share by investing in new products and highly automated plants, General Motors now seems to have reversed its strategy. The company is cutting back domestic programs and capacity while increasing offshore sourcing of vehicles, offshore sourcing of engines, designs and components, and diversifying into areas not related to auto production. To put it bluntly, the business of making cars is becoming less a part of General Motors' business.

General Motors is not the only auto company, nor is it the only industry pursuing this kind of strategy. It is a part of a trend which the UAW has become increasingly concerned about, the trend to "the hollow corporation," for more and more U.S. firms are turning to foreign manufacturers to supply designs and manufacture products for sale in the United States, and this strategy imposes enormous social costs on workers, on communities and on our nation.

We do believe an alternative and a better strategy for General Motors, for Ford, for Chrysler and the rest of corporate America is to renew their commitment to U.S. production and concentrate their business resources on improving U.S. manufacturing capabilities.

GM has introduced many new products and modernized several assembly plants over the last six years, and as President McDonald has pointed out, has built new plants. The company has also had conversion plans to upgrade or replace over half of its engines.

There was also a \$5 billion Saturn project, a program to build a new vehicle starting from the ground up, which would involve UAW input at every step in the decision-making process from design to production. Now all of these ambitious plans were undertaken with the intention of improving GM's product line and wheeling market share from their domestic and foreign competitors.

It was a risky strategy. It meant adding capacity at a time when both Ford and Chrysler were retrenching, when the industry was going through a recession and the level of imports was rising and foreign manufacturers were beginning to build assembly plants in the United States. It was also an expensive strategy that included a costly technology-intensive approach to the new and remodeled plants, and yet at the same time so much attention was being paid to improving and expanding domestic operations, GM was also arranging to import fully built-up vehicles from its affiliate in Japan and Korea and from its own plants in Mexico and Brazil.

Our concern over these obscure sourcing plans was offset somewhat by our satisfaction with GM investment plans. GM's strategy appeared to represent a serious commitment to upgrade U.S. production and compete head on with imports.

The captive-sourcing plans were characterized as a temporary measure, while gaps in the domestic capabilities were filled in. Well, to our dismay but I must say not to our surprise, GM ran

into numerous, well-publicized problems with the expensive technology-intensive strategy.

GM has now reversed gears. It is now cutting deeply into its commitment to U.S. production plans. These cutbacks include scaling back the GM10 car program from being produced at seven plants to four plants, and I might say 50 per cent of that production is located in Canada, only 50 percent here in the United States, and far more of those cars will be sold in the United States market than in the Canadian market, far more.

Cancelling GM80. Two or three of the new engine programs have apparently been cancelled and Saturn volume has been cut in half. As I said, the Saturn engine is still not locked in and GM has clearly backed down from its commitment to a fully integrated production operation, scaling back the total investment in Saturn from \$5 billion to \$1.7 billion.

This doesn't mean that GM has stopped spending money. In 1984 it spent \$5 billion to acquire Hughes Aircraft and \$2.4 billion to acquire EDS, and last month it cost the corporation an additional \$750 million to buy out H. Ross Perot, and other top shareholders, and may I add here that I am not a fan of H. Ross Perot, either, because some of the things that he advocates only means elimination of jobs. I just think it was a poor investment to pay him or anyone else \$750 million. [Applause.]

And I might point out GM's captive sourcing strategy has not been cut back, because up to 400,000 vehicles could be sourced offshore by 1988. That is the equivalent of two assembly plants, and the GM-Suzuki plant in Canada could add another one hundred to two hundred thousand units, and I would suggest the latter will probably be more accurate.

And I want to underscore that the vast majority of those vehicles will be shipped to the United States, and they will use the U.S.-Canada Auto Pact to ship them duty-free, and I want to underscore, Senator, not only here, but for your benefit and everyone else in Washington that this should not be allowed, because that was never the intent of the pact, and that will cost America additional jobs, not only in the auto industry, but all the other jobs that surround it. [Applause.]

Why is it these programs are being cancelled? Approximately 800,000 engines were imported in 1986, and it seems likely that up to 1 million will be imported in 1987. And let me remind everyone if they don't know it, that's the equivalent of a whole engine-plant worth of capacity.

GM is also starting to outsource engine parts rather than investing in new casting technology. As a result, an officer the company announced plans to close engine parts plants in Pontiac, Michigan, Saginaw, Michigan, and in Massena, New York. We, quite frankly, believe it would be better, not only for GM workers but also for the country, if GM would invest in new casting technology, rather than spending its money on Hughes, EDS or captive imports. [Applause.]

As was earlier reported, GM was also trying to sell a Fisher-Guide Division parts plant in Elyria, Ohio. And there is no secret, rumors abound GM plans to announce closing of additional parts plants.

Now, if that happens, it will be partly because the company has decided to outsource to low-wage, non-union firms or offshore to very low-wage countries, such as Korea, a country, I would point out, where workers' rights are systematically repressed. In other words, while laying off American workers, General Motors—and I will say Ford and Chrysler are also in the same boat—but General Motors was at the same time entering into joint ventures in a country, in this case Korea, with a militaristic dictatorship where workers' rights are severely limited.

Senator, I think that you and other people have to understand that in that country unions are limited to a single plant. In that Daewoo plant in 1985 when young people led a—true, I guess you can term it a wildcat strike, but on the other hand, if I had been dealt with as seriously in my young years, I wouldn't be sitting here as president of this union—when they led a wildcat strike in that plant, a company which is 50 percent owned by General Motors, over production standards and over an increase in wages, and when they secured an 11-percent increase in wages, subsequently, 11 of those young people were tried and were given up to 2-years' imprisonment for involvement in that situation.

And I don't mind telling you my blood boils when I think of the fact that American lives were lost by the thousands and young Americans were maimed in that country, and today we face competition from that country where workers' rights are oppressed. And the sad part of it is where it takes a Korean auto worker who makes \$1.94 an hour assembling an automobile which is then shipped to this country competing against us, it takes them at least four and a half times the time it takes an American worker to purchase that product that they build.

And, Senator, my friends, no one can develop a domestic market that way, and the only thing that happens is that we get more and more and more pressure upon the American market.

General Motors is also undertaking joint ventures with Japanese parts companies which will no doubt lead to job losses at GM's current United States plants. In addition, GM is reportedly adding 12 new maquiladora plants in Mexico in 1987, bringing their total to 29. This will make General Motors the biggest United States employer in Mexico.

The average wage rate in Mexico is less than a dollar an hour. Maquiladora is that thing that we heard so much about a few months ago when it was revealed that American taxpayers' dollars were used by the Commerce Department of the United States to advocate that companies go down there and listen to the advantages of locating their operations there, advantages such as, in some cases, wages of 72 cents an hour. And, thank God, there was a congressman who raised enough hell about it, at least the taxpayers' money was withdrawn, but the conference still went on. And I am sorry to say General Motors won't be the only one who is locating some new plants there.

Our best estimate suggests that General Motors will reduce its planned U.S. investments by about \$10 billion, if it goes through with these product cancellations, with outsourcing plans and with closing the 11 plants. Only half a billion of this \$10 billion saving will come from the 11 plant closings affecting 29,000 workers. Yet,

GM has or will spend about \$9 billion on Hughes, EDS, the GM-Suzuki joint venture in Canada and on captive imports from Korea and from Japan.

And I will join with you, with not getting into all of the bonus argument this morning, Senator, but it is there, and all I can say is I am going to wait and see what happens to bonuses that I suspect—I hope won't be announced, but if they are, in a few weeks or within a month, and I hope to God that people take into consideration that bonuses are meant for as a reward for good management.

Now, we believe that there is an alternative strategy for GM. There is plenty of evidence that high-quality, affordable vehicles can be built in the United States using U.S. designs, UAW labor, and U.S. parts. General Motors' own Cavalier, their Pontiac 6000, Ford's new Taurus/Sable line, prove that U.S. firms can not only manufacture but they can also design a vehicle that captures the attention and the interest of the American car buyer.

I will skip over what I was going to say about the NUMMI plant. You have already discussed that, and if you have some questions, please feel free to raise them. I would suggest to you that is a very high-quality, very high productivity plant, and I would also suggest to you, Senator, that all of the latest trinkets of new technology are not embodied in that plant. There is just some good, old-fashioned commitment on the part of workers, but there is also a commitment on the part of management that layoffs will only come as the last resort. So you do have some added job-security provisions there.

And yet, while the corporation certainly deserves its share of criticism, it is important to recognize that most of GM's loss in market share has been attributable to sharply higher imports. Some of these imports are GM's own, but a lot of GM's former market share and our members' jobs have been lost to imports by Toyota, by Honda, by Hyundai, and you haven't seen the 100,000 from Daewoo yet, but they are on the way, and others too numerous to list.

It is particularly distressing to the UAW that General Motors, under these pressures, will not support an active trade policy that addresses the massive trade crisis facing our country. Instead, this corporation has stuck resolutely to a commitment to unregulated and what we hear so much about "free trade," and I must say to you and to all here today, as a result of that so-called free trade which, if it ever existed, doesn't exist today, America and American workers are losing their future through the passive trade policy of the current administration for the last 6 years. (Applause and cheers.)

Any discussion of plant closings must address the question: What will happen to workers? Now, despite the array of job and income security protections the UAW has negotiated, thousands of GM workers will face long spells of unemployment and may never recover their standard of living. A Bureau of Labor Statistics study of workers who lost their jobs between 1979 and 1984 found that workers displaced from the auto industry who found new jobs suffered an average loss of gross weekly earnings of 25 percent. A UAW study of displaced auto workers found that the average length of

joblessness was 66 weeks. Of those workers who had accumulated savings, 43 percent of them used up all of their savings; 65 percent of workers were re-employed outside the auto industry, and I might add they are then in nonunion jobs and only 63 percent of those in new jobs were receiving any kind of health-care insurance.

In conclusion, it is clear that the impact of GM's contemplated plant-closing will be far-reaching and devastating. If U.S. firms continue to pursue their current course and if our government fails to enact rational trade policies, many more plant-closing announcements are to come.

Senator, we need to understand that at the present time we have 2 million units of idle capacity in this country. General Motors' announcement of its closing would reduce roughly a million of those units. If nothing is done to begin to turn this situation around—I am talking about the trade situation, I am talking about the advantage that is taken by the imports and transplants that come to our country—by the end of the 1988 model year, you are going to be looking at 4 million units of idle capacity, and, my friends, if you will look, that is roughly another 15 assembly plants. If you take 15 assembly plants and you multiply that by two shifts of roughly 6,000 people per plant and then recognize in a domestic American auto company for every assembler in an auto parts assembly plant you create 11 additional supplier jobs—I might add in those transplants you only generate 3 jobs—then you begin to see what the numbers are, and they are staggering. You are talking in terms of three hundred to four hundred thousand auto workers' jobs that hang in the balance, let alone those non-auto jobs that go with them.

So we need help, and the auto industry needs help, both short-range and long-range, and I think this was attested to by Mr. Harold Poling, President of Ford Motor Company, in his speech at the Economic Club of Detroit on January the 12th. We need trade legislation embodying deficit reduction and workers' rights. These two important points are embodied in the new trade bill H.R. 3, and we are working hard to get that bill passed in the U.S. House and introduced and passed in the U.S. Senate.

I think as a nation we must insist on fair trade practices from our trading partners. The leaders of our country must see to it that America's basic industries are protected, thus protecting the future of our children and our grandchildren.

There is ample evidence that U.S. firms can manufacture high-quality, affordable products in existing Big Three facilities using UAW labor. There is also evidence from the trade policies of our competitors that a country can manage its trade in a way which encourages the growth and vitality of its key industries without causing massive uncontrolled dislocation for workers and communities.

I hope that at the very least, this hearing this morning, Senator, which I thank you again for conducting, will draw the public's attention to the fact that the decisions, the preparations and the policies of our government must begin to adequately reflect the public interest.

It is high time that we throw away the nonsense—and I am so sick and tired of hearing these labels, "protectionist," "protection-

ist this," "protectionist that." I don't want to build a fence around America, but I don't want to continue to see the misery of Norwood and Hamilton, Ohio, and the miseries of the rest of the cities of our country. I don't want to see the industrial base of our country destroyed, because when you destroy that, you destroy the future of America, and it is a lot of hogwash when people try to slide out simply by saying "protectionism."

Let me point out to you, General Motors buys the parts from Mexico at a value equivalent to roughly 80 per cent of the value of every car that they sell in Mexico, because that's what the Mexican government insists upon. And you can look out across the world, there is no one else that is as ridiculous as we are. There is no one else that is living with their heads in the sand and in the past. [Applause and cheers.] Every other nation that has a viable auto industry or one that is trying to develop one, they see to it that they protect their markets and quite frankly, Senator, we are the only damn fool left in the world who is letting everybody else in—[Applause.] Everybody else can come in and take whatever they want. And I, for one, am tired of hearing about what this is going to do if we set some reasonable rules for our own market, what the Japanese are going to do, what the Germans are going to do, what the Canadians are going to do. Well, I wonder what the hell they have been doing. They have been taking us to the cleaners. [Applause and cheers.]

I will conclude with one other thing. I understand competition. You and I, we were at the meeting in Washington the other morning, and I said there, Senator, "The UAW has never backed away from competition." We didn't carry a sledge hammer into the plants, we recognized the needs of new technology, but we also insist that there has to be some fair play.

And, Senator, before I get onto that runaway band wagon of competitiveness, what I am worried about is when I read in the newspaper yesterday about what the President is going to unveil in his State of the Union Message to the Congress about trade and there is not one thing in there that talks about American jobs.

Now, I don't want to make light of this, but I was amazed to see that one of the priorities is a major overhaul of the Federal Corruption Practices Act—the law that prohibits U.S. companies from paying bribes to foreign governments—to more closely define what constitutes a bribe. Federal officials claim the current law is so vaguely drawn and the penalties so stiff that it frightens many companies away from doing business abroad.

I wish the President and the Administration would focus in on that brilliant statement, because it is the future of America. I am not worried about fair competition, but I have got a gut full of situations where we step down and where we honestly, the workers whom I represent, help reduce cost of products tremendously, and I am not talking about a couple of bucks, I am talking about a lot of money. And the thanks that we get is that those jobs are picked up, moved overseas, using our technology to build more competitors.

Now, I have got to know who we are competing against, and I am not willing that we compete against ourselves. And I thank you.

[Applause and cheers, standing ovation.] They are taking a lot of my time. [Laughter.]

Senator METZENBAUM. I thought it was a UAW convention for a minute.

I want to ask you a question. Does it ever bother you to think about the fact that we spent American lives to defeat Germany, spent American lives to defeat Japan, spent American lives to save Korea from the North Koreans, and now those nations are literally defeating us in the economic battlefield with respect to jobs? Does that upset you?

Mr. BIEBER. Yes, we are getting tired of it. [Applause and cheers.] Senator, that disturbs me a great deal, but I think there is something else that even disturbs me worse, and that is that we are letting our industrial base be taken away from American shores, not one piece at a time, but gobs at a time.

And, Senator, it is bad enough what that does to the loss of jobs, but I cannot comprehend how people who sit in the legislative halls and the administrative branches of our government and keep talking about how we have to continue to appropriate more and more money in a defense program that I think is running away, that is crazy in many respects. I don't know how many times over we have to kill someone to be convinced that there won't be anything left crawling on the face of this earth if we release the terrible hell that we have built up and the Soviets have built up at the same time.

Nobody seems to understand that if we continue to lose our industrial base, God forbid, if we are threatened, we won't even have the capabilities here in America any longer to produce the weapons that are necessary. [Applause and cheers.]

Senator METZENBAUM. Let me show you this chart. I don't know how many people can see it back there, but the top, red parts, are foreign-owned, U.S.-made cars, and that is this little piece up here. That is foreign-owned companies, producing cars in the United States, 1 percent in 1982; 6 percent in 1986; 14 percent in 1990. Foreign-owned companies are increasing their production in our country. Here are the figures with respect to U.S.-owned, foreign-made cars. U.S.-owned, foreign-made, increases from 1.8 percent to 2.7 percent to 5 percent, and domestic production has gone down since 1978 from 82.3 percent, 71 percent, 65.8 percent, projected to be down to 52 percent.

My question is, how can foreign-owned companies come into our country and increase their production while American, domestically owned companies continue to decrease their production in this country and use more and more imports? How do you rationalize that? How do you explain it?

Mr. BIEBER. Well, Senator, what has been happening is simply this. The transplant companies who have come to our shores—and you certainly read and heard me talk recently about the need to continue the voluntary restraint agreement, which is theoretically canceling out or running out in March of this year. And I have also said you ought to look at that 2.3 billion, you know, that was the limit because it doesn't fit the situation anymore today.

If you look at the transplants that have come to our shore or are headed here and add to that 2.3 billion cars that the Japanese are

going to bring into this country—and, by the way, they are not stupid, they are going to bring us those plants over here to produce those small cars with very, very little American input into them. Basically, you get the engine, the drive train, the transmission, the universal, all of that is imported.

Somebody told me, "Well, they buy all the stampings here." Jim McDonald is right, you don't have to worry about the doors and so on, nobody is going to ship that overseas, because they are heavy and they damage easily. But don't let anybody tell you that they do all their stampings here, because the flat pieces, as they are commonly referred to, that is the parts you see under the hood, or don't see until you open the hood, they bring a hell of a lot of that in here already stamped.

When we bring one of these transplant plants over here, a number of things are happening to us. First of all, the high value added part of the car is assembled over there, the engines, the transmissions, the drive trains.

Now, just let me say for a moment, that's bad enough, but the other problem is when you don't build engines and transmissions and rear axles in America, you soon lose your technology to build those, because no damn fool is going to teach new engineers to build an engine that you don't produce. That is as crazy as the argument that we are going to offset all of our losses in industry jobs by the computer chips that we are going to produce in America for cars that are built in Japan. So you have got that big piece there, that is what is happening.

The other piece of it is that while we have recently seen the dollar fall relative to the yen up until the most recent plunge, the dollar had appreciated by about 40 percent. What did the Japanese do? I say they are smarter than our companies in many respects, because they fight for that lucrative market, the American market, and they have passed on only about 12 percent of the losses in higher prices. I don't know how much longer they can hold out without raising their prices further, but if we have the 40 percent, it would have wiped out totally that \$2,000 differential you hear so much about. A good piece of it was wiped out. So we have been fighting that battle.

We are fighting battles again, as I told you, where we have repressive laws that never allow workers to make a decent wage, and that is one thing if that country does it, but it is another thing when our American-based multinational companies become a part of bringing these same cars in here.

Senator, if we don't do something—last year General Motors lost 1.6 percent of their market. Ford making a bundle of money, but nobody is taking into consideration that Ford lost seven-tenths of 1 percent of its market, in the last year we saw the imports increase from a 25.3 percent share of the market to 28 percent, and the projection is that it will go to 32 percent this year. If we don't do something about it, Senator, it is like that snowball, we will soon be below 50 percent.

Senator METZENBAUM. I will tell you this. The president has indicated his opposition to a trade bill. I can tell you almost with certainty that this Congress will pass a trade bill, and if he doesn't

like it, he is going to have to veto it. We are going to give him a trade bill. [Applause and cheers.]

Mr. BIEBER. Senator, I want you to know that I appreciate it. You have been one of the people that has looked out for the welfare of America, and I give you great credit for that. It is not only the trade field. I watch little TV, but what I do watch is normally C-span, and I want to congratulate you for taking on some of the tough battles for America, and I just want to thank you. [Applause.]

I want to urge you, Senator, because, as you well know, I tramped through the snow that we had in Washington last week; I, too, had difficulty getting out of there. I spent all week in Washington. I am concerned that we not get sidetracked, that the bill that we pass has meaningful pieces in it, and I urge you, Senator, to fight hard for deficit reduction in that bill, because that is the key.

And we need to say also to the foreign people who come to this country, "You are welcome to come, but you have got to bring some work with you." It is not fair that the Japanese bring plants to this country and use only about 30 percent U.S. parts.

When they went to the United Kingdom, Nissan quickly got to a commitment of 80 percent, and there is a reason for it, because while they may not have laws in the books, when the Japanese get up to about 11, 12 percent of that market, they get a little knock on the door, and if you will look at last year, you will see in the first 6 months they shipped a lot of cars over there. It's not the first time they did it. They got the knock on the door, and they say, "huh-uh, go much beyond this and we are going to pass a law that you are not going to like."

And then those folks say they are being deterred. And where do you suppose they come? They head for our shores, and I don't want to build a fence around America, but I do want to protect the future of America, and this is our market. We have got to begin to see some reasonable rules. "Bring your plants over here, but buy from American sources."

And, Senator, you should know this, that now that the yen has appreciated, the next thing that goes on when they do bring their parts plants—when it is now more advantageous to buy parts on these shores—they don't buy them from the American companies, including the Big Three who also produce parts, and I think the Japanese ought to buy parts from the Big Three as well as other American producers. No, then they bring over their own supplies, to supply their parts, and then the next thing you know they are bidding against the American producers, and if they are independent producers, those Japanese companies are over to General Motors trying to underbid the American producers.

And then, Senator, if you sit at my office where you can see a foreign country from your window, our American parts producers have another problem there. A 30 percent differential in the value of that dollar to our dollar, that is why General Motors put two of the four plants over there. It doesn't take a genius to see that.

And then you see some more incentives over there to try to convince the Mazda plant at Flat Rock, Michigan, to buy parts from Canada, and worst of all, now we have the joint ventures and transplants in Canada shipping products duty free into our market,

using the Auto Trade Pact, and it was never, never intended for that. We can't go on this way unless we want to sink our ship.

Senator METZENBAUM. Let me ask you one last question. We hear a great deal about the cost advantages of building cars overseas, that labor costs are lower. I am sure the UAW has addressed this situation. I am sure you have addressed it over the bargaining table, I am sure you have addressed it internally. Is it not correct that you made significant concessions in many labor negotiations? How do you approach this problem, and how do you answer the question: "Well, they can hire people for a dollar a day, two dollars a day in some of these foreign countries." How does the UAW answer that?

Mr. BIEBER. Well, Senator, the UAW—and I have got a few red marks up and down my back to prove it—the leadership of our union has had to take some positions that membership in some plants are not quick to accept, and I can understand that. We recognize that it is a global competition that we are up against, and we recognize that we have to do some things, and, Senator, we have done a great many things since 1982 when I was the Director of the General Motors department. We had to do some things we didn't like. The entry into the Saturn program was designed to try to put us in a much more competitive position so far as small cars are concerned in this country. And, Senator, I think we have to call it the way it is.

The American auto companies were very, very late in trying to get any share of the small car market, because they didn't, frankly, want to build them. The profit margin on the small cars is much, much narrower than it is on the big cars. So it wasn't a lucrative market. But just as sure as the sun rises in the east and sets in the west, if you invite the Japanese or anyone else to come in and take over the small-car market—and that's what's been done—then you have to expect they are soon going to come after you in in that higher, more expensive price market as well.

There was an article yesterday, Senator, in the Detroit Free Press, just a little article—I will send it to you—and that disturbs me a great deal. Columnist Helmick was writing. He said an unnamed source at Ford Motor Company told him he was distressed because, he said, "We are making a lot of money now on town cars," and they quoted—that surprised me—they quoted \$8,000 profit, and they said, "We have the Sable, and we are doing very well on that." But what is disturbing him is they haven't got anything behind that. He said, "I am fearful that the next step will be that we will become only a distributor," and I am fearful of that as well.

The problem that I face, Senator, is this: The people that I represent are hard-working Americans, and they are willing, they are willing to join with their company in trying to be as competitive as possible. But what is happening to them, they are losing that urge, because, quite frankly, some of the things that were said here this morning—I don't know whether they were intentionally said or not, but many times we make efforts to improve the cost of a product only to see that job then be taken and moved out.

And I don't care who you are, whether you are a member of the United Auto Workers, whether you are the CEO of General Motors

or a Senator of the United States, we all need some sort of incentive. But if you begin to see that everything you are doing works to your own disadvantage, only a damn fool will contribute to that. And we need to wake up to that as well and recognize that, yes, we want to help, we want to be competitive, but we also want a job at the end of that rainbow. [Applause.]

Senator METZENBAUM. Thank you very much.

I will say that I am very pleased that this, the first official meeting of the Labor Subcommittee of the United States Senate, was held here. This is the first meeting that this committee has held. I am glad we brought it to Norwood. I am pleased that Mr. McDonald was here. I am pleased that Mr. Bieber is with us, I am pleased an Administrative Assistant of the General Motors Department of UAW, Mr. Walker, is with us and Charlie Bowling, Regional Director of the Auto Workers in this area. I am very grateful to all of you.

I think we will proceed and hear the other witnesses, or we will be here until 6:00 at night.

Mr. BIEBER. May I say just one thing more. I heard what you said relative to future of the plants here. As I said, many times we don't make that decision. I have 11 plants. The problem that we have to find the answer to, Senator, is not the questioning of a plant-closing in Norwood or closing somewhere else. The thing we have to find the answer to is that we have good jobs for every person that wants to work, and that's the problem we really have to get on with the business of trying to solve.

I want to thank you again for bringing this hearing here. I wish that more people in Washington would do the same thing, because I think it is good for America, for the average American to see that the government of their country still cares about them, and you demonstrated that here this morning. And just as important, I think, is that you and everyone else has to hear what the American people across the country are saying.

And, Senator, I traveled last year hundreds of thousands of miles, I toured 150 plants. I met with farmers, I have met with auto workers across this country, and I can tell you what they are saying. They are saying, "Enough is enough, and we want to get on with the job of preserving America." Thank you. [Applause.]

[The prepared statement of Mr. Bieber with attachments follows:]

STATEMENT OF
OWEN BIEBER, PRESIDENT
INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND
AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW)
before the
SUBCOMMITTEE ON LABOR
SENATE LABOR AND HUMAN RESOURCES COMMITTEE
on the subject of

GENERAL MOTORS PLANT CLOSINGS

Cincinnati Ohio
January 26, 1987

Mr. Chairman, we appreciate your invitation to testify today on problems associated with the General Motors plant closings. I want to explain why I think these plants are closing, what the ramifications will be for UAW members and the communities in which they work, and how they demonstrate the need for government, community and employee participation in decisions that have such enormous social consequences.

Inasmuch as this hearing has been called to explore reasons for and ramifications of the GM plant closings, our testimony will be confined to that subject. We want it understood, however, that our concerns extend to outsourcing of vehicles and parts by Ford and Chrysler as well. Such practices by the Big 3 and other employers have caused great hardship for UAW workers and their families. We believe there are viable alternatives.

In the last few years we have watched, first with hope, then with concern, as GM flirted with one quick fix after another to address the erosion of its market share. GM's U.S. market share has fallen from 48% in 1978 to 35.2% in the fourth quarter of 1986. Its North American production has dropped by 1.4 million units since 1978, almost 900,000 of that total in the last 12 months (Table 1). Most of GM's share has been lost to sales of imports which have grown by about 1.8 million units since 1978. Even with the recently announced plant closings (Table 2), GM still has excess capacity (Table 3) and we expect additional closings in the future.

As a trade unionist, Mr. Chairman, it is difficult for me to ever accept the argument that a plant must close. I know only too well the terrible human cost. Yet I recognize that in a dynamic economy, change is essential and some plants will close. In American manufacturing industries today, however, I am convinced that far too many plants are closing needlessly. Even when a plant's closing is justified, moreover, the tremendous economic and social costs it imposes should be shared equitably.

The question is: Are GM's announced plant closings justified? I seriously question whether they are. After several years of unsuccessfully trying to hold and recapture market share by investing in new products and highly automated plants, General Motors now seems to have reversed its strategy. The company is cutting back domestic programs and capacity while increasing offshore sourcing of vehicles, engines, design and components and diversifying into areas not related to auto production. The business of making cars is becoming less a part of GM's business.

General Motors is not the only auto company, nor is auto the only industry, pursuing this strategy. It is part of a trend which the UAW has become increasingly concerned about, the trend toward the "hollow corporation." More and more, U.S. firms are turning to foreign manufacturers to supply designs and manufactured products for sale in the U.S. Even our Japanese competitors recognize the potential self-destructiveness of such a strategy.

Akio Morita, the president of the Sony Corporation observed in Business Week:

"American companies either have shifted output to low-wage countries or come to buy parts and assembled products from countries like Japan that can make quality products at low prices. The result is the hollowing of American industry. The U.S. is abandoning its status as an industrial power . . . Unless

U.S. industry shores up its manufacturing base, it could lose everything."

Mr. Chairman, we believe an alternative, and highly preferable, strategy for GM, Ford and Chrysler and the rest of corporate America is to renew their commitment to U.S. production and concentrate their resources on improving U.S. manufacturing capabilities. GM's current strategy of sourcing vehicles offshore, outsourcing components, diversifying into nonautomotive operations and turning over design functions to foreign affiliates is a risky approach with enormous social costs for workers, communities and the nation.

GM's Strategy

GM has invested \$33 billion in new products and plants over the last six years. It has built seven new plants (and closed three plants, for a net capacity increase of four plants) and modernized several other assembly plants as new products were introduced. The company has introduced several new product lines — the Olds 98 and Buick Electra built at Wentzville, Missouri and Lake Orion, Michigan; the Olds 88 and Buick LeSabre built at Wentzville and Buick City in Flint; the Toronado, Riviera, Eldorado, and Seville built at Hamtramck and Buick City; and the Calais, Somerset and Grand Am built in Lansing. This year GM will introduce a new pickup truck — the Sierra — built at Ft. Wayne, Indiana, Pontiac, Michigan and Oshawa, Canada. It has just introduced a new intermediate car (the Corsica/Beretta) built at Linden, New Jersey.

In addition to those investments which have been made, GM at one time had also planned to replace the current Camaro/Firebird line and upgrade or replace more than half of its engines with higher performance, aluminum-intensive engines. And finally, there is the \$5 billion Saturn project — a program to build a

new vehicle, starting from the ground up, which would involve UAW input at every step in the decision-making process from design to production. This vehicle would be built for \$2,000 less than other GM subcompacts and would prove that high quality, affordable small cars could be designed by U.S. firms and built on U.S. soil, using U.S. labor and U.S. parts. Saturn appeared to represent a commitment not only to manufacturing a small car in the U.S., but to building a highly integrated facility where most of the parts would be manufactured in-house.

All of these ambitious plans were certainly made with the intention of improving GM's product line and winning market share from domestic and foreign competitors. It was a risky strategy. It meant adding capacity at a time when both Ford and Chrysler were retrenching, when the industry was going through a recession, the level of imports was rising and foreign manufacturers were beginning to build assembly plants in the U.S. It was also an expensive strategy that included a costly technology-intensive approach to new and remodeled plants.

At the same time so much effort was being made to improve and expand domestic operations, GM was also arranging to import fully-built-up vehicles from its affiliates Isuzu and Suzuki in Japan, from Daewoo in Korea, and from GM's own plants in Mexico and Brazil.

Our concern over these offshore sourcing plans was offset somewhat by the potential for strengthening domestic production which we perceived in GM's investment plans. GM's strategy appeared to represent a serious commitment to upgrading U.S. production and competing head-on with imports. The captive sourcing plans were characterized by GM as a temporary measure while gaps in domestic capabilities were filled in.

To our dismay, Mr. Chairman, GM ran into numerous well-publicized problems with its technology-intensive strategy. It could not get the new plant at Hamtramck to work for months, partly because the corporation had tried to design too

much labor out of the production process. When it did start turning out cars, the vehicles met with weak acceptance in the market.

GM has now reversed gears and is cutting deeply into its commitment to U.S. production. The "GM 10" car (Corsica/Beretta) was scaled back from production in seven plants to four plants — two of them in Canada; the "GM 80" new car (Camaro/Firebird replacement) was cancelled. Two of the four brand new engines planned for production have apparently been dropped and a third less ambitious engine project will most likely be cancelled. Saturn, moreover, has been cut back from a 500,000 unit-per-year production plan to a 250,000 unit program. The Saturn engine is still not locked in, and GM appears to have backed down from its commitment to a fully integrated production operation, scaling back the total investment.

This doesn't mean GM has stopped spending money. In 1984, it spent \$5 billion to acquire Hughes Aircraft and \$2.4 billion to acquire EDS. Last month, it cost an additional \$750 million to buy out H. Ross Perot and other top shareholders. When GM announced its buyout of Perot, auto analyst Maryann Keller raised new concerns about GM's management because of what she referred to as "legitimate questions of shareholders and workers regarding appropriate use of capital."

GM's captive sourcing strategy has not been cut back — up to 400,000 vehicles could be sourced offshore by 1988 (Table 4), the equivalent of the annual output of two assembly plants. The GM-Suzuki plant in Canada could add another 100-200,000 units (Table 5). The vast majority of those vehicles will be shipped to this country, using the U.S.-Canada Auto Pact to ship them duty-free. This is not the intent of the Pact, and it will cost additional American jobs.

While engine programs are being cancelled, approximately 800,000 engines were imported in 1986; based on announcements in the trade press, it seems likely that up to one million will be imported in 1987 (Table 6). That's a whole engine plant worth of capacity. In 1983, by contrast, GM imported about 200,000 engines. Meanwhile,

the company's domestic engine production dropped from 6.6 million in 1985 to 5.7 million last year. It may go as low as five million in 1987. GM is also starting to outsource engine parts which were made in-house. Cylinder heads, pistons and intake manifolds for nearly one-half of all in-house engines will be outsourced by 1988.

In August 1986, GM announced plans to close plants making parts for engines in Saginaw, Michigan, Massena, New York, and Pontiac, Michigan. The company wants to shut up to one-third of its head and block casting facilities in the Central Foundry Division (Table 7). These parts are being outsourced because GM has decided not to invest in new casting technology. We believe it would be better not only for GM workers, but also for the country, for GM to invest in new casting technology, rather than spend its money on Hughes, EDS or captive imports.

GM is also trying to sell a Fisher-Guide Division parts plant in Elyria, Ohio which makes frames for seats and other parts. Plans to shut down additional facilities in the Fisher-Guide Division have been announced (Table 8). In spite of denials, rumors persist that GM plans to close many parts plants. If that should happen, it will be because the company has decided to outsource to low-wage, non-union firms or offshore to very low wage countries such as Korea and Mexico. The same day that Ward's Automotive News reported the GM closings (November 10, 1986), and on the same page, it was announced that GM would open two new joint venture parts plants with Daewoo near Taegu, South Korea (Table 9). Korea is a country where workers' rights were severely limited under martial law throughout the 1970s. Since the military coup in 1980, the ability of workers to bargain collectively has been even more tightly contained.

While laying off American workers, GM is simultaneously investing in joint ventures in a low-wage country which is notorious for official trade union repression. GM is also entering into joint ventures with Japanese parts companies which will no doubt lead to job losses at GM's U.S. plants (Table 10). And, according to

a recent newspaper report, GM is expected to open 12 new maquiladora plants in Mexico in 1987, making a total of 29 such plants in that country (Table 11). The average wage rate in Mexico is less than a dollar an hour.

Our best estimate (Table 12) suggests that GM will reduce its planned investments by about \$10 billion if it goes through with canceling the "GM 80", half of "GM 10", the three engine programs, scaling back Saturn and closing the 11 plants. GM will have spent about \$9.0 billion on Hughes, EDS, the GM-Suzuki joint venture in Canada, and on captive imports from Korea and Japan.

Only about \$500 million of the \$10 billion cutback will come from the 11 plant closings affecting 29,000 workers. But in 1984 and 1985, about \$450 million was distributed as bonuses to about 6,000 GM executives, averaging \$38,000 per executive for each year. Put differently, if these 6,000 executives had given up their bonuses for two years, GM would have saved about as much money as it will save by shutting eleven plants that currently employ 29,000 people. This is a particularly bitter pill for the UAW.

Mr. Chairman, we believe there is an alternative strategy. There is plenty of evidence that high quality, affordable vehicles can be built in the U.S. using U.S. designs, UAW labor, and U.S. parts. GM's own Cavalier, Pontiac 6000 and Ford's new Taurus/Sable line prove that U.S. firms can not only manufacture, but also design a vehicle that captures the interest of the American car buyer.

The NUMMI plant is additional evidence. It is a former GM plant employing UAW workers, producing a high quality product at costs comparable to costs in Japan. NUMMI is a joint venture between GM and Toyota to manufacture a subcompact vehicle, designed by Toyota, in Fremont, California, using a blend of U.S. and Japanese management practices. GM entered the arrangement to learn innovative industrial relations and production techniques that could be transferred to its other operations. NUMMI shows what workers can do if you give

them some input into the design of their own work process. NUMMI, despite a low level of automation, is a highly productive plant.

While the corporation certainly deserves its share of criticism, it is important to recognize that most of GM's loss in market share has been attributable to sharply higher sales of imports. GM's market share fell from 43.8% to 35.2% between the second and fourth quarters of last year; fully 90% of that 8 point loss was picked up by imports (Table 13). As noted earlier, some of these imports are GM's own but a lot of GM's former market share and our members' jobs have been lost to imports from Toyota, Honda, Hyundai and others.

It is a great frustration to the UAW that GM will not join in advocating an active trade policy that addresses the massive trade crisis facing our country. We have been spreading the word for years that the import invasion of the U.S. market will cost hundreds of thousands of jobs and close dozens of plants. We have been trying to enlist GM's support for a trade program which would help stem the hemorrhaging of good U.S. jobs. But GM has stuck resolutely to its commitment to unregulated trade. We have asked GM to join us in joint committees of management, labor and government to try to work out a strategy for strengthening the domestic auto industry; we have been rebuffed. In 1981, we unsuccessfully solicited GM support for our efforts to obtain import relief for the industry under Section 201 of our trade law. We asked GM to support the domestic auto content bill and were turned down. We have repeatedly asked the company to support the Voluntary Restraint Agreement with Japan, but to no avail. Today, we call on GM to join us and others in support of the omnibus trade bill which passed the House in 1986 and was reintroduced this year as H.R. 3.

Impact of Closings

Auto employment is, by the nature of the industry, extremely concentrated. About 38% of total U.S. auto employment is in Michigan, 11% in Ohio, 5% in Illinois,

and 5% in New York (Table 14). The recent plant closing announcements clearly demonstrate how devastating the impact of a massive wave of closings can be. In Flint, for example, more than 16% of the city's workforce will be directly affected by the closings. Flint will lose 6% of its income tax revenue.

Mr. Chairman, we have to ask, "What will happen to the workers?" Despite the array of job and income security protections the UAW has negotiated, thousands of GM workers will face long periods of unemployment and may never recover their standard of living. A Bureau of Labor Statistics study of workers who lost their jobs between 1979 and 1984 found that workers displaced from the auto industry who found new jobs suffered an average loss in gross weekly earnings of 25 percent. A UAW study of displaced autoworkers found that the average length of joblessness was 66 weeks. Of those workers who had accumulated savings, 43% used up all of their savings. Sixty-five percent of workers reemployed outside the auto industry are in non-union jobs, only 63% of those in new jobs were receiving health insurance.

This is not the kind of future we want for our manufacturing workers or our economy. It is not the kind of future we want for their communities which will feel the indirect consequences of their loss of income. Economists may be predicting a year of moderate growth for 1987, but believe me, Flint and Pontiac and Norwood and Massena won't feel it.

In conclusion, it is clear that the impact of GM's contemplated plant closings will be far reaching and devastating. If U.S. firms continue to pursue their current course of outsourcing, captive imports and reduced commitment to U.S. production and if our government fails to enact rational trade policies, many more plant closing announcements are to come. Yet there is ample evidence that U.S. firms can manufacture high quality, affordable products in existing Big Three facilities using UAW labor. There is also evidence from the trade policies of our competitors that a country can manage its trade in a way which encourages the growth and vitality of its

key industries without causing massive, uncontrolled dislocation for workers and communities.

Mr. Chairman, we hope that at the very least this hearing will draw the public's attention to the fact that the decisions of corporations and the policies of our government must reflect the public interest. I hope that it will also offer an effective counterbalance to the cynical assessment of the auto analysts who applaud GM's recent "cost cutting" plant closure announcement as "long overdue" and who, forgetting about the real lives involved, worry only about the impact on corporate profits. At later hearings, we look forward to presenting the views of the UAW on the public policy issues raised by the incidence of plant closings and worker dislocation generally.

Mr. Chairman, we want to thank you for providing us this opportunity to share with you and your Subcommittee the UAW's perspective on the plant closings announced by General Motors.

CH:b:opeiu494:DT4:1/19/87

Table 1
GENERAL MOTORS NORTH AMERICAN PRODUCTION & IMPORTS

	<u>U.S. Production</u>	<u>Canadian Production</u>	<u>Transplants</u>	<u>Total Production</u>	<u>Captive Imports</u>	<u>Imports & Transplants As % of Total</u>	<u>Grand Total</u>
1978	6,876,750	854,855		7,731,605	86,257	1%	7,817,862
1979	6,445,087	847,193		7,292,280	114,007	2%	7,406,287
1980	4,753,286	766,970		5,520,256	88,447	2%	5,608,703
1981	4,627,674	756,087		5,383,761	61,724	1%	5,445,485
1982	4,070,085	561,923		4,632,008	22,304	0%	4,654,312
1983	5,104,237	802,206		5,906,443	15,530	0%	5,921,973
1984	5,675,037	820,784		6,495,822	15,262	0%	6,511,083
1985	6,360,194	843,774	64,601	7,268,569	112,959	2%	7,381,528
1986	5,445,032	719,589	190,085	6,354,706	190,627	6%	6,545,333

- o GM's North American production of cars and trucks fell by 1.4 million units between 1978 and 1986.

SOURCE: Ward's Automotive Reports, prepared by UAW Research Department

Table 2
GM ASSEMBLY & STAMPING PLANT CLOSINGS

<u>Assembly Plants</u>	<u>Model</u>	<u>Platform</u>	<u>Employees</u>	<u>Date</u>
Clark Street, Detroit (BOC)	Cadillac Brougham	(D)	3,500	End 1987
Pontiac #2 (CPC)	Supreme Regal Monte Carlo	(G) (G) (G)	1,270	End 1987
Norwood, Ohio (CPC)	Firebird Camaro	(F) (F)	4,000	Mid-1988
St. Louis, Missouri (T&B)	Pickup Crew cab (move to Janesville)	(R/V)*	2,200	Mid-1987
Pontiac Central (T&B)	Heavy Trucks (sold to Volvo) Buses (sold to Greyhound)		2,200	Aug. '88 Sept. '87
Flint (Line #1) (T&B)	Pickup	(R/V)*	3,450	Aug. '87
<u>Stamping Plants</u>				
Flint Body Assembly (BOC)	G-car Bodies		3,230	End 1987
Willow Spring, Illinois (Chicago BOC)	Lux., reg. midsize car body panels		2,900	Phase out
Hamilton/Fairfield, Ohio (CPC)	Body panels for: Camaro Firebird	(F) (F)	2,500	1990
Conner Stamping Detroit (BOC)	Body panels for: Cadillac Brougham Olds 88 Wagon	(D) (B)	700	1990
Fleetwood	Body panels for Cadillac		3,000	
			29,050	

* R/V pickup was designated C/K pickup until MY87 when new replacement truck GMT 400 took C/K designation.

BOC = Buick-Oldsmobile-Cadillac Division

CPC = Chevrolet-Pontiac-Canada Division

T&B = Truck & Bus Division

SOURCE: Prepared by UAW Research Department, based on publicly available information.

Table 3
GM ASSEMBLY PLANT OPENINGS & CLOSINGS

<u>New Plants</u>	<u>Plants Closed/Closing</u>
<u>CARS</u>	
Bowling Green, KY (1981)	St. Louis, MO (1981)
Hamtramck, MI (1985)	Pontiac #2 (1987)
Lake Orion, MI (1983)	Clark St. (1987)
Wentzville, MO (1983)	St. Louis, MO (1979)
	Southgate, CA (1980)
	Norwood, OH (1988)
<u>LIGHT TRUCKS</u>	
Moraine, OH (1982)	Flint #1 (1987)
Shreveport, LA (1980)	St. Louis, MO (1987)
Ft. Wayne, IN (1987)	

HEAVY TRUCKS, BUSES

Pontiac Central (1987-88)

- o Between 1978 and 1986, GM built seven assembly plants and shut three for a net gain of four plants.
- o By 1988 the company will close an additional five light vehicle assembly plants and one heavy truck plant for a net loss of two assembly plants between 1978 and 1988.
- o Since GM volume fell by 1.4 million units — the equivalent of five to six assembly plants — between 1978 and 1986, excess capacity must still exist in their system.

SOURCE: Prepared by UAW Research Department, based on publicly available information.

opeiu494

Table 4
GENERAL MOTORS CAPTIVE IMPORTS

<u>Captive Vehicles</u>	<u>Supplier</u>	<u>Country</u>	<u>Annual Volume</u>	<u>Start-Up</u>
LeMans (subcompact)	GM/Daewoo	Korea	100,000	1987
Spectrum (subcompact)	Isuzu	Japan	200,000	1984
Sprint (mini-compact)	Suzuki	Japan	100,000	1984
E1 Camino/Caballero (pickup truck)	GM	Mexico	25,000	1986
W4 Forward/Tiltmaster (medium truck)	Isuzu	Japan		1986
W6 Forward/Tiltmaster (medium truck)	Isuzu	Japan	5,000	1987
W7 Forward/Tiltmaster (heavy truck)	Isuzu	Japan		1987
			430,000	

SOURCE: Prepared by UAW Research Department, based on publicly available information.

opeiu494

Table 5
CAPACITY RISES OFFSHORE, FALLS IN U.S.

Offshore		U.S.	
General Motors (Mexico)	+ 20,000	Clark St.	- 200,000
GM-Suzuki (Canada)	200,000	Pontiac	200,000
GM-Daewoo (Korea)	100,000	Norwood	200,000
Isuzu (Japan)	200,000	St. Louis	200,000
Suzuki (Japan)	100,000	Flint	200,000
	+ 600,000		- 1,000,000

- o Through its captive sourcing and joint venture strategy GM has generated 600,000 units of capacity outside the U.S. while planning to close plants with 1 million units of capacity in the U.S.

SOURCE: Prepared by UAW Research Department, based on publicly available information.

opeiu494

Table 6
GM ENGINE IMPORTS

Engines	Supplier	Country	Volume			
			1987 ^{2/}	1986 ^{2/}	1985 ^{1/}	1979
1.6 L 4-cyl. Gas	Toyota	Japan	200,000	160,000	28,000	
1.8 L " "	Isuzu	Japan	1,000	1,000	900	
1.8 L " "	GM	Brazil	250,000	250,000	242,000	
1.9 L " "	Isuzu	Japan	20,000	20,000	20,100	
2.2 L " Diesel	Isuzu	Japan	2,000	2,000	2,200	
2.8 L V-6 Gas	GM	Mexico	500,000	370,000	372,000	
4.8 L V-6 Gas	GM	Mexico	<u>100,000</u>	<u>16,000</u>	<u>16,000</u>	
			1,073,000	819,000	681,200	60,000

^{1/} Source: Ward's Automotive Reports

^{2/} Source: Estimates by UAW Research Department, based on announcements in Ward's Automotive Reports and Ward's Engine Reports.

Table 7
CENTRAL FOUNDRY

<u>Grey Iron Head & Block</u>	<u>Action</u>	<u>Employment</u>	<u>Reason</u>
1. Pontiac, MI	Scheduled to convert to machining operation	1,500?	Shift to aluminum intensive engines and outsourcing of engines and blocks means less grey iron capacity required; operations from Pontiac and Tonawanda shifted to Defiance and Saginaw.
2. Defiance, O			
3. Saginaw, MI			
4. Tonawanda, NY	Close	750	
<u>Aluminum Foundry</u>			
5. Massena, NY	Close by '88	1,130	Aluminum casting operations consolidated in Bedford; shift to aluminum intensive engines, has not increased in-house aluminum foundry work as pistons, cylinder heads, and intake manifolds are now being outsourced in very large quantities.
6. Bedford, IN			
<u>Grey, Nodular, Malleable Iron Parts</u>			
7. Danville (Grey)			Operations in Saginaw Nodular will be shifted to Danville, Defiance and St. Catharines, Canada; the outsourcing of engines and crankshafts has reduced capacity requirements in engine and transmission parts casting.
8. Defiance (Grey & Nodular)			
9. Saginaw (Nodular)	Close by '88	1,750	
10. Saginaw (Malleable)			
11. St. Catharines (Grey & Nodular)			
Jobs Lost		<u>5,130</u>	
Total Employment:		13,000	

SOURCE: Prepared by UAW Research Department, based on publicly available information.

opeiu494

Table 8
FISHER-GUIDE

<u>Hardware Plants</u>	<u>Action</u>	<u>Employment</u>	<u>Reason</u>
1) Elyria, Ohio (incl. foam seat)	Plan to sell	2,070	Much of Fisher-Guide work includes the manufacture of parts for seats, such as foam, tracks, frames, hardware. GM is now trying to out-source most of their fully built-up seats to Hoover, Lear Siegler and Woodbridge.
2) Columbus, Ohio			
3) Fort Street	Rumored plan to close	2,080	
4) Trenton (hardware & plastic)			
5) Coldwater Road	Reducing workforce	200	
<u>Plastic & Lighting</u>			
6) Syracuse, New York (plastic)			
7) Anderson, Indiana (plastic & lighting)			
8) Monroe, Louisiana (lighting)			
Jobs Lost		<u>3,250</u>	
Total Employment		20,000	
<u>Offshore Plastic</u>			
9) Mexico (maquiladora) (plastic bumpers)			
10) Korea (J.V.) (plastic bumpers)			

SOURCE: Prepared by UAW Research Department, based on publicly available information.

opeiu494

Table 9

WARD'S AUTOMOTIVE REPORT
11/10/86

Deewoo Parts Plants Open

Two auto parts plants that will service the LaMans car scheduled to reach U.S. Pontiac dealers next spring have commenced operations near Taegu, South Korea. One of the plants, a joint-venture between General Motors Corp. and South Korea's Daewoo Group, makes steering gears, axles, brakes, radiators and air conditioning parts. The other plant, Daewoo Automotive Components Ltd., makes alternators, starter motors, ignition coils and ignition distributors.

GM Plant Shutdowns Will Idle 29,000; 11 Closings to Save \$500 Million

General Motors Corp. announced the future closings of 11 of its operations last week.

The closings will affect 29,000 employees, including 3,000 retained, and will result in an annual fixed cost saving of \$500 million.

GM said that with six new assembly plants — four currently in production and two to open within a year — and the refurbishing of 12 others, capacity will actually increase the equivalent of one plant. However, corporate executives said more shutdowns in the future are possible.

The closings are:

- The Detroit, MI, Clark Ave. plant assembling the rear-drive Cadillac Brougham, Chevy Caprice Wagon and Olds 88 Wagon by the end of 1987. Production of these cars will be shifted to GM's Arlington, TX, plant currently building G-bodies. Caprice output starts September 1987 and Cadillac, February 1988.

GM plans to revise the Brougham for the 1990's, but keep it as a rear-drive.

- The Pontiac, MI, rear-drive G-car plant and the Flint, MI, plant supplying G-car bodies to Pontiac, by the end of 1987.

- The Norwood, OH, plant assembling the rear-drive Camaro and Firebird models by mid-1988. Camaro/Firebird output will continue at Van Nuys, CA.

- The RV light truck assembly plant in St. Louis, MO, in mid-1987. Production of crew-cab and cab-chassis RV models will continue at Jascerville, WI, alongside the J-car line.

- Heavy-duty truck production, by August 1988, and bus output, by late spring 1987, at Pontiac (Central), MI.

- Line No. 1 at Flint, MI, (RV pickups) by August 1987.

- BOC-Chicago Mfg. in Willow Springs, IL, over a period of time. It makes body panels for luxury, regular and mid-size cars.

- Hamilton/Fairfield in Ohio primarily producing stampings for Firebird/Camaro.

- The Conner Stamping plant in Detroit, MI, by 1990. It primarily stamps body panels for the Cadillac Brougham and full-size station wagons.

GM was asked at the last Thursday press conference if the Chairman of GM-owned EDS played a role in any decision to keep operating the Arlington plant, once rumored to be on the shutdown list. GM answered, "Certainly not." Coincidentally, Ward's in a routine phone call to Arlington last Friday was told the EDS Chairman was "just down the hall, congratulating Arlington workers" on getting the B- and D-cars.

Meanwhile, a major GM competitor, commenting on GM's plant shutdowns, said, "It's still not enough."

Table 10
GM COMPONENT JOINT VENTURES

<u>Partners (New Venture)</u>	<u>Location</u>	<u>Product</u>
Delco Remy/ Daewoo Automotive (1984)	Korea	Cranking motors, alternators, ignition distributors, ignition coils
Harrison Radiator, Delco Moraine Saginaw Division/Daewoo Precision (DHMS Industries, 1987)	Korea	Radiators, a.c. components, steering gears, drive axles, brakes
Harrison Radiator/Nihon (1987)	Japan	Air compressors
Inland/NHK Spring (1986)	Japan U.S. or Europe	FRP leaf spring Seats and plastic parts at some future time
Fisher-Guide/KOSCO (Koram Plastic Co.)	Korea	RIM polyurethane bumpers
Delco Moraine/Akebono (American Brake Industry Corp., 1987)	Kentucky, U.S.	Disc and drum brake assemblies for transplants, GM, Saturn

Source: Compiled by UAW Research Department based on reporting in American Metalworking News, Japan Economic Journal.

Table 11
GM MAQUILADORA PLANTS

<u>PLANT</u>	<u>PRODUCT</u>	<u>AFFECTED U.S. PLANT</u>
El Paso/Juarez	Assembly of switches & solenoids	
Brownsville/Ramirez	Mechanical components	Inland Fisher-Guide
El Paso/Juarez	Automotive trim	Grand Rapids, Livonia (Inland)
Mexico - 10 plants	Assemble wire harnesses	Warren, O. (Packard Electric)
Brownsville/Ramirez	Assembly radio circuit boards, radios, ignition modules	Kokomo (Delco Electronics)
Brownsville/Ramirez	Plastic bumpers	Fisher-Guide
Delredo	Permanent ferrite magnets and electric motors	Rochester (Delco Products)
Delmex	Assembly of electronic and electric components	Delco Products

- o According to a recent article in the Detroit Free Press (December 14, 1986) General Motors plans to open 12 more maquila plants in Mexico bringing the total to twenty-nine.
- o On January 20, 1987 the Detroit Free Press reported that GM may shut down 20 parts plants in the U.S. over the next 2-3 years.

SOURCE: Prepared by UAW Research Department, based on the General Motors Information Handbook.

opelu494

Table 12
GM MAJOR CAPITAL EXPENDITURES AND CANCELLATIONS
 (billions of dollars)

<u>Cancellations</u>		<u>Expenditures</u>	
Manhattan Engine (postponed)	\$ 1.0	Hughes Aircraft	\$5.0
Trident Engine (on hold)	.5	EDS	2.4
3200 Engine (cancelled)	1.0	Perot Buyout	.75
GM 80 (cancelled)	1.0	GM-Suzuki joint venture	.25
GM 10 (halved)	3.0	Daewoo LeMans imports	.25
Saturn (halved)	3.3	Isuzu, Suzuki imports	.50
Plant Closings	<u>.5</u>	Engine Parts	<u>?</u>
	\$10.3		\$9.15

SOURCE: Prepared by UAW Research Department, based on publicly available information.

opeiu494

Table 13

Ward's Automotive Reports 1/12/87

IMPORTS PICK UP GM's DECLINE

General Motors Corp.'s market share decline, which began in October, is being picked up by the imports.

Quarterly U.S. Car Market Shares — 1986

	GM	Ford	Chrysler	Toyota	Honda
April-June	43.8	17.9	11.4	5.0	5.3
July-September	41.3	17.7	12.1	5.6	5.5
October-December	35.2	19.0	11.1	7.0	8.2

Note: All shares include cars built in U.S. and cars imported.

As the accompanying tabulation indicates, GM's U.S. car market share plunged 6.1 percentage points in the fourth quarter vs. the third quarter of 1986, but domestic competitors Ford Motor Co. and Chrysler Corp. posted a combined increase in share of only 0.3 points while Toyota Motor Sales Inc. dealers were up 1.4 percentage points and American Honda Motor Co. dealers, 2.7 points.

This has some startling ramifications for 1987. It could mean Ford and Chrysler won't be increasing production at GM's expense and that import penetration of the car market may exceed expectations if GM doesn't rebound, which it should do once industry sales start to normalize.

Table 14
 AUTO EMPLOYMENT IN FIVE STATES
 as a Percentage of Total Auto Employment in the U.S., October 1986.

	Employment in SIC 371 (000's)	Employment as % of U.S. Total
U.S.	836.0	100%
Indiana	60.2	7%
Michigan	319.0	38%
Ohio	95.1	11%
Illinois*	43.0	5%
New York **	32.3	4%
Five State Total	549.6	66%

* Illinois statistic is for employment in SIC 37.

** New York statistic is for July 1986.

SOURCE: Prepared by UAW Research Department; data from Labor Market Information unit newsletters of state Employment Security Commissions.

opelu494

Senator METZENBAUM. Our next panel consists of Robert Gerhardt, City Manager, City of Fairfield; the Honorable Joseph E. Sanker, Mayor of the City of Norwood, and we had hoped to have one of the Commissioners from Butler County with us, but I think he is in a meeting with the General Motors people at this time, and Mr. Cleon Montgomery, UAW Local 674 in Norwood and David Doty, UAW Local 233 of Hamilton

For reasons of constraints of time, we are asking each of the witnesses to limit their remarks to no more than five minutes. If you are less than that, we will give you a medal.

Mayor, we are happy to hear from you.

STATEMENT OF JOSEPH E. SANKER, MAYOR, CITY OF NORWOOD

Mr. SANKER. Good afternoon. I am Joseph E. Sanker, and I am Mayor of the City of Norwood, and I came here this morning to offer testimony as to the position that the City of Norwood is taking in the potential closing of the General Motors plant.

Before I begin, I would make mention that one of the charts that I saw through some of the television equipment here, if I am correct, was not correct as to the amount of revenue that will be lost to the City of Norwood. If you wouldn't mind, I would like to see that.

Senator METZENBAUM. We will get that up here.

Mr. SANKER. I think it says \$2,700,000, and that is quite correct in that it is the local allotment of the \$2,920,000, it is quite correct that the City of Norwood would lose in terms of revenues. There is also the additional amount of approximately \$2,300,000 that this great school system which you mentioned earlier would lose. So there is somewhere close, I would say, to five or six million, something in that area. I don't have the exact figure.

The closure of the General Motors Norwood assembly plant will have a severe economic impact on the City of Norwood, the Greater Cincinnati area and the entire tri-state region. The direct impact of the closure will be the dislocation of the plant's 4,300 workers who rely on General Motors for their livelihood. The indirect impact will be even greater.

The loss of income from these jobs will remove over \$100 million annually from the Greater Cincinnati economy. The multiplier effect of this income loss will further impact service and supply industries throughout the region.

The plant closure will result in a direct loss of \$2.7 million in earnings and property tax revenues to the City of Norwood. This tax loss represents approximately 25 per cent of Norwood's annual operating budget. This loss comes at a time when the City of Norwood is attempting to compensate for the loss of \$600,000 in federal revenue-sharing funds due to the elimination of the federal revenue-sharing program at the end of 1986. The plant closure will also result in an annual loss of over \$2 million in property tax revenues to the Norwood school system.

Additionally, several other Norwood industries have recently announced layoffs and possible closure or relocation. Shortly after General Motors' announcement, the U.S. Playing Card Company announced the layoff of 105 workers, and the Siemens Corporation

announced the layoff of 75 workers. These developments followed an announcement earlier last year that 114 jobs were being eliminated at the LeBlond Makino Company located in Norwood. Each of these Norwood industries have felt the impact of current import policies and the growing foreign trade imbalance. The manufacturing jobs that were once the backbone of our city, our state and our nation are being lost to foreign competition at an alarming rate.

General Motors' decision to close the Norwood plant comes at a time when several foreign manufacturers are building or planning to build auto plants along the Interstate 75 corridor. The I-75 corridor is being chosen by other companies because of its excellent transportation accessibility and its close proximity to suppliers, customers and available skilled labor.

In recent months, the employees of the Norwood assembly plant have proposed a number of changes intended to reduce costs and improve efficiency at the plant. The City of Norwood, State of Ohio, local utilities and suppliers have joined in that effort. It is our sincere hope that these proposals will be given full consideration by the management of General Motors. It is our further hope that these proposals combined with the Norwood plant's central location and experienced work force will lead General Motors to the conclusion that closing the Norwood plant is not a prudent business decision.

I would like to conclude by paraphrasing a commentary which aired on a local news program shortly after the plant closure announcement:

"LISTEN TO THE HEARTBEAT, MR. SMITH

"... You became one of the world's largest and richest corporations on the sweat and labor of the people who live in our town. And in the process, the people who made you became dependent on you. They put down their roots, took on 30-year mortgages on 50-foot lots. And whatever else they might have been, or wherever else they might have settled, they didn't because you were here. And, at least for most of them, they gave you everything they had ..."

"... There are ways to keep the plants open. The state can help, and the workers are willing to make concessions. True, you might make a little less money, but you can add a human touch. You say in your commercials, 'Listen to the heartbeat ... listen to the heartbeat of America.'"

To this commentary I can only add my hope and prayer that the corporate leadership of General Motors will listen to the heartbeat. Listen to the heartbeat of those who built their company—the heartbeat of the workers, families and communities that they are now leaving behind.

I have a packet which I wish to make part of the record. It consists of a copy of my letter to Governor Celeste outlining the impact of the closure, questions we have, need of answers and suggestions that can help cushion the abrupt tax revenue loss, an impact statement of our Norwood school system which I believe is a vital point to be made, a letter to the Economic Development Administration questioning EDA assistance, and I would hope, Senator, that you can help us there; and a development prospectus of the City of Norwood with an aerial view marked up to show the

General Motors property in the heart of Norwood. Also, please note, Norwood has no available land to be developed that would compensate for the General Motors loss. Thank you.

Senator METZENBAUM. Thank you, Mayor Sanker. [Applause.]

We will now hear from Robert Gerhardt, City Manager, City of Fairfield.

STATEMENT OF ROBERT GERHARDT, CITY MANAGER, CITY OF FAIRFIELD

Mr. GERHARDT. Thank you for this opportunity to speak. I am Robert Gerhardt, City Manager of the City of Fairfield, in which is located the Hamilton-Fairfield CPC Stamping Plant. I am here not only representing the City of Fairfield but the Butler County Task Force which consists of members from the cities of Hamilton and Fairfield and also Butler County. Naturally, our Task Force would like to express our concern over the announced closing of the Hamilton-Fairfield CPC Stamping Plant. I am here today in hopes of persuading your committee, General Motors officials and State of Ohio officials to Listen to the Heart Beat of Southwest Ohio. In my remarks today, I would like to focus on the concerns of the Task Force in a number of areas. These are as follows:

First, General Motors, in its decision to close the Hamilton-Fairfield CPC Stamping Plant, overlooked a number of positive attributes. Let's consider the following:

The Hamilton-Fairfield CPC plant is both centrally and strategically located to existing General Motors [GM] assembly plants. This plant is the closest stamping plant to the proposed Saturn facility. Furthermore, the plant is only 14 miles south of the Armco Steel Plant which supplies state-of-the-art specialty automotive steel. Consequently, the freight charges on steel are minimal, and the CPC plant does not have to maintain a large inventory of material.

The plant has been well maintained and is in 100 per cent operational condition. It is located in an Urban Jobs and Enterprise Zone which makes new investment eligible for tax abatement on real and personal property, including inventory.

There is excellent cooperation between management and labor which has resulted in increased plant quality, performance, efficiency, work rules, attitudes and decreases in operating costs and grievances. Of all the CPC plants which produce both major and secondary metal, this plant is number one in the lowest discrepancies per panel. And, Senator, using GM's own standards, the Hamilton-Fairfield CPC plant constantly is ranked among the nation's best.

Senator METZENBAUM. Mr. Gerhardt, I notice you have a rather lengthy statement. I have a 5-minute rule. I just want to make sure you get your main points of your statement in.

Mr. GERHARDT. These are our main points. These factors are but a few of the positive attributes of this plant. In conjunction with this, we have prepared a report which we wish to submit to your committee and make part of the record. This information has already been submitted to General Motors and their Board of Directors with a request to re-evaluate their decision regarding the closing of the Hamilton-Fairfield CPC plant. This suggestion was made

for the sake of both the local communities and the profitability and competitiveness of General Motors.

Second, the closing of the Hamilton-Fairfield CPC plant not only means the direct loss of jobs at the plant but the loss of other jobs within the communities and county. Our Task Force has prepared a very detailed analysis of which we are submitting herewith. Very briefly, we estimate that in addition to the 2,100 jobs held by Butler County residents at the CPC plant, we will lose between 2,700 and 4,200 additional jobs in other segments of the economy. The sum total of the direct General Motors job loss and the additional job loss ranges between 4,800 and 6,400 jobs. The resulting payroll loss to Butler County residents is estimated to be between \$137 million and \$168 million.

The economic impact of the closing of the Hamilton-Fairfield CPC plant goes far beyond the loss of jobs, payroll and taxes. Other areas which will be impacted include the general business climate, community support network, local housing market and community image. The effect on these areas may be equally significant as the economic losses.

All of these items represent a direct loss in payroll, real estate, personal property taxes which affects the ability of communities to deliver basic services. Mr. Chairman, where are the workers of our communities expected to go to listen to the heartbeat of America? I hope it is not outside the country.

Third, there is a lack of information coming to us directly from General Motors. Like any other organization, communities of both Fairfield and Norwood need accurate information to budget and plan for the future. We were led to believe in General Motors' initial press release that this information would be provided—and I quote:

"In addition to programs under which GM employees may transfer to other GM locations or retrain for other jobs, Mr. McDonald said, the company is committed to working with both its hourly and salaried employees, union officials and community and government leaders to reduce the impact of these necessary closings."

As evidence of the lack of communication between our community and General Motors, a meeting was held December 15, 1986, between the GM Transition Team on plant closings and officials from the State of Ohio from which we were excluded.

Senator, the basic information which we are requesting via a direct line of communication with General Motors is essential to allow the local communities to better prepare for the eventualities of the situation. Hopefully, we can do a better job of serving our citizens, adjusting budgets and scheduling services if we know in advance when the various stages of the proposed shutdown will occur. In the absence of this information, communities will be left with no alternative but to make very drastic decisions at each stage of the plant phase-out. This puts the communities in a reactive position instead of a pro-active position.

Fourth, if this decision is final and General Motors will not review or reconsider their decision to close this plant, it seems to us that General Motors needs to make a clear commitment to assist these local communities in adjusting to this economic loss. The Hamilton-Fairfield CPC plant has been such a large part of

our economy that the removal of it over such a short time period creates economic hardships. After 40 years of cooperating closely with our communities and making use of the local human resources in this area, it is hard for us to understand how General Motors can pull up its stakes and leave without making some commitment to our communities to ease the adverse economic burden of this closing.

In summary, our Task Force feels that what we are asking is not unreasonable. In view of the tremendous adverse economic impact that the closing will be on our communities, we are asking that a direct line of communication be established between General Motors and our communities. We also ask that General Motors reconsider their decision on closing the Hamilton-Fairfield CPC plant and if that decision is final, we then ask that General Motors make a financial commitment to our communities.

We do not deny that General Motors has overcapacity; however, throughout all our work, one nagging question has remained unanswered:

Why is General Motors closing one of its best stamping plants?

It doesn't make sense to us when the game gets tough to release your best player simply because you have too many players on the roster. Thank you, Mr. Chairman.

[The prepared statement of Mr. Gerhardt follows:]

City of Fairfield



Office of the
City Manager

Robert J. Gerhardt
City Manager

Thank you for this opportunity to speak. I am Robert Gerhardt, City Manager of the City of Fairfield in which is located the Hamilton-Fairfield CPC Stamping Plant. I am here not only representing the City of Fairfield but the Butler County Task Force which consists of members from the cities of Hamilton and Fairfield and also, Butler County. Naturally, our Task Force would like to express our concern over the announced closing of the Hamilton-Fairfield CPC Stamping Plant. I am here today in hopes of persuading your committee, General Motors officials and State officials to **LISTEN TO THE HEART BEAT OF SOUTHWEST OHIO**. In my remarks today, I would like to focus on the concerns of the Task Force in a number of areas. These are as follows:

First, General Motors, in its decision to close the Hamilton-Fairfield CPC Stamping Plant, overlooked a number of positive attributes. Let's consider the following:

The Hamilton-Fairfield CPC Plant is both centrally and strategically located to existing General Motors (GM) assembly plants. This plant is the closest stamping plant to the proposed Saturn facility. Furthermore, the plant is only 14 miles south of the Armco Steel Plant which supplies state of the art specialty automotive steel. Consequently, the freight charges on steel are minimal, and the CPC Plant does not have to maintain a large inventory of material.

The plant has been well maintained and is in 100% operational condition. The plant is located in an Urban Jobs and Enterprise Zone which makes new investment eligible for tax abatement on Real and Personal Property, including inventory.

There is excellent cooperation between management and labor which has resulted in increased plant quality, performance, efficiency, work rules, attitudes and decreases in operating costs and grievances. Of all the CPC Plants which produce both major and secondary metal, this plant is number one in the lowest discrepancies per panel. Using G.M.'s own standards, the Hamilton-Fairfield CPC Plant constantly is ranked among the nation's best.

These factors are but a few of the positive attributes of this plant. In conjunction with this, we have prepared a report which we wish to submit to your committee and make part of the record. This information has already been submitted to General Motors and their Board of Directors with a request to re-evaluate their decision regarding the closing of the Hamilton-Fairfield CPC Plant. This suggestion was made for the sake of both the local communities and the profitability and competitiveness of General Motors.

5350 Pleasant Avenue, Fairfield, Ohio 45014 513 - 867-5300

Second, the closing of the Hamilton-Fairfield CPC Plant not only means the direct loss of jobs at the plant but the loss of other jobs within the communities and county. Our Task Force has prepared a very detailed analysis of this which we are submitting herewith. Very briefly, we estimate that in addition to the 2,100 jobs held by Butler County residents at the CPC Plant, we will lose between 2,700 and 4,200 additional jobs in other segments of the economy. The sum total of the direct General Motors job loss and the additional job loss ranges between 4,800 and 6,400 jobs. The resulting payroll loss to Butler County residents is estimated to be between \$137 million and \$168 million.

The economic impact of the closing of the Hamilton-Fairfield CPC Plant goes far beyond the loss of jobs, payroll and taxes. Other areas which will be impacted include the general business climate, community support network, local housing market and community image. The effect on these areas may be equally significant as the economic losses indicated before.

GENERAL BUSINESS CLIMATE

A total of \$78 million was spent with 475 suppliers located within a 50 mile radius of Cincinnati; 105 of these vendors are located within Butler County.

In view of the estimated loss of \$168 million in payroll, there will be a reduction in savings deposits; thus, this will affect the ability of banks and savings and loans to make loans to the business and housing markets.

The loss of this payroll will also sizeably reduce the amount of disposable income available to purchase goods and services; thus, there will be an adverse impact on the retail and service sectors of our local economy.

The idling of the CPC manufacturing plant will result in a sizeable loss in demand for utilities. The loss of revenues to Cincinnati Gas & Electric would result in a lower rate of return on investment which could ultimately result in a higher utility rate being passed on to consumers.

COMMUNITY SUPPORT NETWORK

In the area of community support network, the largest agency to be affected will be the United Way. Simultaneously, there will be a demand in United Way services as a result of the plant closing. In addition, many of the local organizations, including Junior Achievement, City Chambers of Commerce, Civic Activities, Senior Citizens, etc., have received direct financial support from the CPC Plant.

LOCAL HOUSING MARKET

The loss of jobs and payroll results in the diminished ability of the affected employees to make mortgage payments. This will result in the increased possibility of delinquent mortgage payments, increased foreclosures and a greater number of homes for sale which will have an adverse effect on the housing market.

COMMUNITY IMAGE

The closing of the CPC Plant will tarnish the image of the area making it more difficult to attract new businesses to these communities and result in diminished community image held by those living and working in the community.

All of these items represent a direct loss in payroll, real estate and personal property taxes which affects the ability of communities to deliver basic services. **Mr. Chairman, where are the workers of our communities expected to go to listen to the heart beat of America.**

Third, there is a lack of information coming to us directly from General Motors Corporate office. Like any other organization, communities need accurate information to budget and plan for the future. We were led to believe in General Motor's initial press release that this information would be provided--and I quote:

"In addition to programs under which GM employees may transfer to other GM locations or retrain for other jobs, Mr. McDonald said, the company is committed to working with both its hourly and salaried employees, union officials and community and government leaders to reduce the impact of these necessary closings."

As evidence of the lack of communication between our community and General Motors, a meeting was held December 15, 1986, between the G.M. Transition Team on plant closings and officials from the State of Ohio **from which local communities representatives were excluded.**

Senator, the basic information which we are requesting via a direct line of communication with General Motors is essential to allow the local communities to better prepare for the eventualities of the situation. Hopefully, we can do a better job of serving our citizens, adjusting budgets and scheduling services if we know in advance when the various stages of the proposed shutdown will occur. In the absence of this information, communities will be left with no alternative but to make very drastic decisions at each stage of the plant phase out. This puts the communities in a **reactive** position instead of a **pro-active** position.

Fourth, if this decision is final and General Motors will not review or reconsider their decision to close this plant, it seems to us that General Motors needs to make a clear commitment to assist these local communities in adjusting to this drastic economic loss. The Hamilton-Fairfield CPC Plant has been such a large part of our economy that the removal of it over such a short time period creates economic hardships. After 40 years of cooperating closely with our communities and making use of the local human resources in this area, it is hard for us to understand how General Motors can pull up its' stakes and leave without making some commitment to our communities to ease the adverse economic burden of this closing.

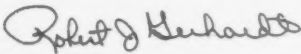
In summary, our Task Force feels that what we are asking is not unreasonable. In view of the tremendous adverse economic impact that the closing will be on our communities, we are asking that a direct line of communication be established between General Motors and our communities. We also ask that General Motors reconsider their decision on closing the Hamilton-Fairfield CPC Plant and if that decision is final, we then ask that General Motors make a financial commitment to our communities.

We do not deny that General Motors has over capacity; however, throughout all our work, one nagging question has remained unanswered:

WHY IS GENERAL MOTORS CLOSING ONE OF ITS BEST STAMPING PLANTS?

It doesn't make sense to us when the game gets tough to release your best player simply because you have too many players on the roster.

Respectfully submitted,



Robert J. Gerhardt,
City Manager
City of Fairfield, Ohio
1/26/87

Senator METZENBAUM. Thank you, Mr. Gerhardt. [Applause.]

I want to advise you that I understood from Mr. McDonald's representations that they will be in direct touch with the communities. If for some reason they are not, please let me know, and I will facilitate that. I am certain there will be no problem in achieving that end.

Mr. GERHARDT. We appreciate that.

Senator METZENBAUM. Our next witness is Cleon Montgomery, designated by UAW Local 674, Norwood. [Applause.]

STATEMENT OF CLEON MONTGOMERY, UAW LOCAL 674, NORWOOD

Mr. MONTGOMERY. Good afternoon, Senator Metzenbaum. My name is Cleon Montgomery. I am representative of Local 674, Norwood, Ohio, and I have been representative for 15 years.

Automobiles have been built in Norwood for the past 64 years. The people of Norwood have always taken pride in the quality of the automobiles built there. The entire community was built around General Motors. Now, after 64 years of being part of the community, being served by the people, General Motors is leaving. Their leaving Norwood is a disaster not only to the families but to the community itself.

We feel it is totally unfair for General Motors to build a \$400 million plant in Korea and other plants in Mexico where automobiles will be built only to be shipped back to this market. After all, how many people in Korea or Mexico can afford to buy an El Camino or Pontiac Tempest or LeMans? We at Norwood could build any of these automobiles.

The United States is very rapidly losing their industrial base. Are we going to stand by and let the foreign companies take away what the American people have worked all their lives for, their respect, their livelihood and the welfare of their families? I don't think any of us can afford to let this happen.

We hate to compare ourselves to our sister plants, but we are forced to do just that. We can build the 1987 model of Camaro and Firebird \$112 million cheaper than our sister plant in Van Nuys, and we believe we could build the 1988 model \$200 million cheaper. It is difficult to see General Motors' logic in moving this work to California where only one out of five automobiles purchased is a General Motors product.

Senator METZENBAUM. How did you get at those numbers, Mr. Montgomery?

Mr. MONTGOMERY. The figures we have are \$112 million, we came up with these figures in a joint meeting with the company and ourselves at the General Motors plant, in Norwood.

Senator METZENBAUM. When you have this next meeting with General Motors, I think you ought to emphasize the \$112 million and \$200 million figures. I think it is very significant.

Mr. MONTGOMERY. The \$112 million, that is \$112 million per year. Like I said, they have a \$70 million deficit built into California. So these are figures that we have worked on in the plant and we have come up with, and, in fact, it is presented in the books you have on your desk.

Senator METZENBAUM. Will you be one of those that will be meeting with the representatives of the company pursuant to the suggestion I made with Mr. McDonald?

Mr. MONTGOMERY. I hope so.

Senator METZENBAUM. I hope so. Please finish.

Mr. MONTGOMERY. We are not implying that General Motors is our enemy. However, we feel that General Motors needs us just as much as we need them. They are simply not giving us a chance to gain back what has been lost through foreign imports. Without our General Motors jobs, we could not buy General Motors products.

We have finally been given a manager, Herb Stone, with whom we can work. In the short time he has been at Norwood, he has made great strides. However, he has not been given the time and opportunity to fulfill all he is capable of. Since 1972, the quality of the automobiles built at Norwood has consistently improved. Our goal, as lofty as it might be, is to reach a point when every car that rolls off our assembly line is a perfect automobile with no defects.

Since 1972, we have had very little labor disputes in Norwood. Our goal is 0 grievances. By talking and working through our problems, we are well on our way to accomplishing this goal.

An indication that we are on the right track: For the first time in history, during the 1984 negotiations we actually settled our Local Agreement prior to the expiration of the National Agreement. Our Local Agreement was reached on September 10, the National Agreement did not expire until September 14th.

We also want to point out that we are not landlocked. Even though we sit on 44 acres on which to assemble automobiles, with the city of Norwood helping out, more acreage could be acquired at very little cost to General Motors. Furthermore, we don't feel 300 acres are needed to assemble automobiles. With the proper layout of docks, we can assemble as many as 60 quality jobs an hour. With the close proximity of our suppliers [70 per cent are within 300 miles] and the just-in-time inventory, we can and will expand and save General Motors money.

The news media and the public have been led to believe that the Norwood plant is an old, outdated plant. I would like to clear this up by reading an article written by the former plant manager, Charlie Miller: "The Norwood plant has undergone the most extensive facilities changes in the history of the plant. These systems include new equipment and facilities for quality control, checking and production. We will have one of the most modern paint facilities in the world. In addition, virtually every department in the plant will be equipped with new facilities, new equipment and concepts to enhance a high degree of quality assurance, all of which will aid our efforts to produce high-quality automobiles." Does this sound like an old, outdated plant? I don't think so.

General Motors say they are closing down plants because of overcapacity and because they are losing money. Yet they are going to shut down the Norwood plant where the Camaro and Firebird can be built millions of dollars cheaper than in Van Nuys, California. This makes you wonder if the real reason for closing plants is overcapacity, or is it too much foreign investment, or is it politics? [Applause.]

The people of CPC Norwood are by no means trying to imply that we are perfect; we are going to make mistakes. But our goal is to build quality products the first time and every time, if given that chance.

Before I close, I would like to make a statement which describes how I feel personally. In 1966 at the age of 19, myself and others were sent to Viet Nam to fight in a war that we were told we couldn't win. Now 21 years later I am in another war that I am being told we can't win. We didn't give up then, and the people of Norwood have no intention of giving up now. [Applause and cheers.]

As a General Motors employee, I am asking and feel that I am entitled to a meeting with Roger Smith, so that he can show me how Van Nuys can build the Camaro and Firebird cheaper than Norwood, Ohio. It can't be done. [Applause and cheers.]

Senator METZENBAUM. Thank you very much. David Doty.

STATEMENT OF DAVID A. DOTY, UAW LOCAL 233 HAMILTON/ FAIRFIELD

Mr. DOTY. Senator Metzenbaum, distinguished guests, ladies and gentlemen. It is with great pleasure that I sit before you representing the men and women of the CPC Hamilton-Fairfield plant and my brothers and sisters of UAW Local 233.

General Motors announced November 6, 1986, that the local plant is one of 11 General Motors will close, with the Hamilton-Fairfield stamping plant and the Norwood assembly plant being last-minute additions for the original list of 9 plants.

November 6, 1986, was a devastating day in the lives of the employees at the CPC Hamilton-Fairfield plant. The announcement to close our plant was a long-running rumor that became a reality on that day. As a total group of people, we understand the reasons and directions that General Motors has taken. However, we also feel the decision to close the CPC Hamilton-Fairfield plant was a poor decision based on the factors for selecting the facilities. Let's take a little time to examine the criteria used by General Motors in that selection process and see where the CPC Hamilton-Fairfield plant actually stood and look at some other areas of interest that probably were not used but would put the Hamilton-Fairfield team in a much more favorable position.

The criteria contains 7 points that were determining factors in General Motors' decision. I will list them one at a time and then tell you how CPC Hamilton-Fairfield compares.

Number one is age. From an engineering standpoint, the plant is as modern as any pure fabricating plant in the General Motors system; more robots are currently being used than in any other General Motors fabricating plant.

Number two, the useful life of the facility. The CPC Hamilton-Fairfield plant is not landlocked as there are 600 acres of available land adjacent to the plant, and all of it is within the enterprise zone for tax abatement, and the building itself has been excellently maintained.

Number three, demand for the product. At the CPC Hamilton-Fairfield plant, we produce products for every General Motors car

line produced and for sale in the United States with the exception of the Fiero and Corvette; less than 20 percent of our volume goes to the Norwood assembly plant.

Number four, quality. The CPC Hamilton-Fairfield plant is No. 1 in quality among the CPC plants in major and secondary metal audits, and we are No. 2 in quality among all 17 General Motors plants ranked in the GM Component Plant Auditing for the 1987 Model Year. Hamilton has received two 145 Perfect Panel Awards for its EK panels. Just this month, Hamilton has been selected as the pilot plant for a new audit report system. CPC Hamilton-Fairfield has made great strides in its quality achievements and is setting the pace for the other plants to follow.

Number five is cost competitiveness. The CPC Hamilton-Fairfield plant went black to the approved plant budget for both 1985 and 1986 model years. We also ran better than 100 percent of budgeted volume for 1984, 1985 and 1986 model years and through December 31, 1986, for the 1987 model year we are at 102 percent of budgeted volume, indicating that we are not underutilized.

Senator METZENBAUM. Mr. Doty, you are going to run out of time if you read the balance of your statement, so will you try to get to the salient points?

Mr. DOTY. Yes, sir.

Labor-management relations. At the CPC Hamilton-Fairfield plant, the relationship is excellent, as evidenced by the number of joint meetings between the staff and shop committee; contract changes, such as one productive classification, major reduction in the grievance load from approximately 300 grievances four years ago to the present number of 35 and our state of the business meetings where we share information with all of our hourly and salary people and provide an opportunity for questions and answers.

Number seven is projected investments. We are currently making a profit for General Motors with people and older presses in-house. It is then apparent we can become even more profitable with some press modernization. We already have a major press pit area to handle the scrap and a modern baler house in place for the disposal of that scrap, and as previously stated, the building itself with 1.5 million square feet under roof has been excellently maintained, plus the 600 acres adjacent to the plant that is already in the Enterprise Zone.

Now you can see why we feel the decision to close the CPC Hamilton-Fairfield plant is a poor one; this information, along with several documents, is to be given to Senator Metzenbaum to use in his congressional investigation. We feel we substantiate our position.

In closing, let's talk about the real "Heartbeat of America." I am sorry, but I don't feel it is a Chevrolet. The real heartbeat of America is the men and women on the floor of the fabricating plants and assembly plants, the real Americans working and earning a living and spending their earnings in the towns, cities and communities where they live.

Listen to what the men and women of the CPC Hamilton-Fairfield plant can do and have done. It would have been easy to quit, to give up; after all, their jobs had been taken away and their lives would be totally disrupted—but they didn't quit and they didn't give up. They have worked hard to put the top numbers on the

wall in quality and productivity, and it has been a struggle to achieve the level of communication and togetherness that we have, and we feel it is worth the fight to keep those things we as a plant have worked so hard for.

Senator METZENBAUM. Thank you.

Mr. DOTY. Even today the numbers are still on the wall—top quality, productivity—and the plant is running black figures. On November 8, 1986, the Saturday after the announcement of the plant closing, the door lines in the metal assembly area ran over 7,000 doors for a productive record, and that has since been broken and all of it with top quality. Our EK team that produces the front fenders and hoods for Cadillac, Oldsmobile and Buick luxury cars has attained a "Perfect" 145 Quality Audit, not once but twice, and that with double-sided galvanized metal; extremely difficult.

Our people contributed over \$202,000 to the United Way Campaign, approximately 17 percent of the total contribution. They are active in their communities in a wide variety of ways. Yes, the real Heartbeat of America, it is an American named Bill or Bob or Linda or Sally, an American auto worker producing top quality, cost-competitive cars on American soil and, yes, we can do just that at CPC Hamilton-Fairfield, because we didn't quit and we won't give up.

And if you find fault with what I have said, then I will take the blame; but if you find fact with what I have said, then the people, the men and women and brothers and sisters of CPC Hamilton-Fairfield deserve the credit. Thank you. [Applause.]

Senator METZENBAUM. I find the time is running late, but I am particularly pleased that you have all offered us your testimony, which is most helpful.

As we now know, General Motors will sit down with you. There are two parts to the sitting down; one has to do with sitting down with respect to the employee negotiations; the other has to do with sitting down with respect to community negotiations.

I urge you, show GM your proposals. Let me know if there is a problem in arranging the meeting. I think you have to be prepared to do more than complain about yesterday or tell them why. You have got to be affirmative and positive, and if you will do all that you can, I promise you I will do all that I can to keep these plants operating in this area. Thank you very much.

Unidentified person. There is the heartbeat of America right up there: Senator Metzenbaum. [Applause and cheers.]

Senator METZENBAUM. Thank you.

UNIDENTIFIED PERSON. Let's give him a standing ovation. [Standing ovation.]

Senator METZENBAUM. Let me stand and applaud you for your interest in fighting for your jobs.

We have four employees from the plants, Don Willingham and Howard Taylor, employees of General Motors' Norwood plant, and Joan Stapleton and David White, employees at the General Motors Hamilton-Fairfield plant. I would like all four of them to come to the table at this time.

Do you all have written statements, or are you just going to speak?

Mr. WHITE. Speak.

Senator METZENBAUM. It is getting somewhat late. If you can hold your remarks to three minutes, fine; if not, go up to five, but no more than five.

Mr. Willingham, I just happen to have your name first, so I will take it first. Don Willingham.

STATEMENT OF DONALD WILLINGHAM, EMPLOYEE, GENERAL MOTORS, NORWOOD

Mr. WILLINGHAM. My name is Donald Willingham. I am from Local 674 in Norwood. I have been working at Norwood General Motors for 18 years. My wife has been there for 10 years. I have a daughter attending U.C. for whom I am paying tuition. The loss of my job would mean that she will have to seek financial aid, but under the current administration there are already almost 600,000 students who won't be able to receive financial aid. So, as you can see, her future is not too bright.

The unemployment rate for Ohio is 8.9 percent, but for black men like myself the rate is 20.1 percent and for black women like my wife the rate is 16.9 percent.

Already there are over 2 million displaced workers in America. Unfortunately, companies deal with numbers, not people, not families. The devastation of job loss can only be measured by pain, pain to workers, pain to families, pain to the community.

In 1981 I transferred to Oklahoma City, because the second shift was cancelled. I returned to Cincinnati eight months later because the second shift was closed in Oklahoma. I returned to Norwood 3 months later, in February 1982.

Personnel assured me that the Norwood plant had a great future because of the new paint department and body shop department. Based on this I stayed at Norwood. I did not return to Oklahoma, only to face the fact that I now shall soon be unemployed again. And because of this I am angry. I am angry for different reasons.

I am angry at myself for not using better judgment in my blind belief that I had a job and a future at General Motors. As a black man I will have greater difficulty in securing another job, any kind of job, than my white counterparts. That makes me angry. I am mad at General Motors and companies like GM who close plants without any regard for the workers or the communities and in my belief, without any regard for anything but increased profits. Of course, profits are higher where wages are lower but what happens to America, and to the standard of living that American workers are used to?

All of these things boil down to one thing: People themselves are going to have to take it on themselves to start buying products that are produced in America. I, myself, at the Christmas holidays, went out to buy a black sweater for my wife. It took me three hours to find a black sweater that was made in the United States, and I think that is ridiculous. That is terrible.

In closing, I would like to thank you, Senator Metzenbaum, for allowing me to speak. I know you have always supported the working man, and I hope you continue to support us.

Mr. METZENBAUM. Thank you, Mr. Willingham. [Applause.] Mr. Willingham, you spent three years in the Army in Germany?

Mr. WILLINGHAM. Yes, I did.

Mr. METZENBAUM. Thank you. I think you paid your dues. [Applause.]

Mr. Howard Taylor.

**STATEMENT OF HOWARD TAYLOR, EMPLOYEE, GENERAL
MOTORS, NORWOOD**

Mr. TAYLOR. Yes, I am Howard Taylor. I have been employed at the Norwood plant 20-plus years. After I was employed about a year I was elected Committeeman, and I held elected positions at the local union since. The biggest time I have been employed on the second shift.

The plant-closing will have considerable effect on me: [1] losing my job; secondly, I am a property owner here in the City of Norwood, and the property will probably go down when the plant closes; and, thirdly, I have got families and a friend that also works in the plant.

In 1980, General Motors here in Norwood laid off the second shift. At that time I had 15 years' seniority, and I was laid off 21 months. During this 21-month period of time, I went broke and had to go into debt and borrowed money from my family up to \$10,000 to make it through tough times. I tried to get jobs at this time in Hamilton, Shreveport, Louisiana, and Oklahoma City. I was blackballed by General Motors because of union activities and was not able to get a job in those other facilities. They took people off the street at that time, and I was out of work.

I would like to say something about our people at Local 674. If you walk through our parking garage right across the street here you will see that our people buy American cars. They buy General Motors cars. Our parking garage, I challenge you to find a foreign car in it. Our people are proud to be Americans, proud to buy American products and proud of the United Auto Workers.

I would like to touch on something Mr. McDonald said this morning about the SUB fund. Our SUB fund pay provision is misleading. Right now our SUB fund is 25 per cent funded, and if people get laid off and 30,000 people get laid off and go onto the SUB fund, there would be very little money there. They act like it is big payoff, when people get laid off they will have money coming in. That is not so. If people go on the SUB pay, in probably three months' time there would be no more SUB pay.

I would like to challenge Roger Smith to meet here with me and the employees of General Motors in the shop and to explain to me how he can close this plant when we can save General Motors millions of dollars in building cars. At General Motors on the 1987 and 1988 models we at Norwood can save GM 200 million dollars more than they can in our sister plant in Van Nuys, California. Thank you. [Applause.]

Senator METZENBAUM. Ms. Stapleton, you are at the Hamilton-Fairfield plant?

Ms. STAPLETON. Yes.

Senator METZENBAUM. I would like to hear from you.

**STATEMENT OF JOAN STAPLETON, EMPLOYEE, GENERAL
MOTORS, HAMILTON**

Ms. STAPLETON. I am Joan Stapleton. I am an employee at the Hamilton plant. I have been there for 9 years. I am a press operator and alternate committeeman in the nonskilled classification. My husband and I are residents of Fairfield. We have living with us three daughters aged 16, 17, 20, and a new granddaughter. I am presently the only one working. I feel that my family has experienced in the past year many problems that are now facing my fellow employees. A year and a half ago my husband lost his job. He has since then had a bad heart problem, and he is unable to work, and I will bypass all the history of that.

In 1981 we purchased our home, and we have a 1984 Blazer. Both were purchased on the basis of both our incomes. Our income is now below half. To compensate this loss I have cut expenses in every way that I could. I worked more overtime in 1986 with GM than I ever have. My two daughters have had to work to pay for all their school clothes and expenses. Just when I had to face the reality that I would be the only one to support the family, the announcement came of the plant closing. Even with past rumors, it came as a shock. It was impossible for me to have financially prepared.

On the day of the announcement, I went home to face my family. My husband was in disbelief, and my daughter that is the senior at Fairfield High School thought that it was the end of the world. Any chance that she has for college is gone. She is very anxious about the unemployment situation that faces her at the time of graduation.

In a few weeks I face layoff with possibility of losing my home and added stress to my family. It is certainly difficult for me to sit up here in front of you and tell you people my personal problems, but it is a lot easier than it will be to face my children.

My chances for transfer are slim. There are 1650 employees with more seniority at my plant. Even with all the problems that my family faces every day, I am a committeeman, and I hear the stories of depression, stress and hardships that face our people.

The people at our plant and Norwood are not asking GM for anything. We are just asking for a chance to do the job that we do best. We think it is time that the stockholders of the GM stand up and say that their top executives have in the past made the wrong decisions, and they are right now making the wrong decision in closing our plants. Thank you. [Applause.]

Senator METZENBAUM. Ms. Stapleton, you have a mortgage on your home and you have a car that you bought on credit?

Ms. STAPLETON. Yes, and I would like to say that we have mentioned my house payment is \$550 and my car payment is \$86 a week, and, Senator Metzenbaum, I assure you that I will not go to Mexico to try to sell cars to Mexicans, because they cannot afford \$86 a week.

Senator METZENBAUM. Mr. Willingham, do you also have a mortgage and a car payment?

Mr. WILLINGHAM. I have a mortgage of \$295 a month, plus I have a car payment which is approximately \$300 a month.

Senator METZENBAUM. And Mr. Taylor?

Mr. TAYLOR. Both mortgage and car payment.

Senator METZENBAUM. Thank you very much. I think this becomes a reality when we talk about sending your children to college and about how to feed them day in and day out.

Mr. White, we will hear from you.

STATEMENT OF DAVID WHITE, EMPLOYEE, GENERAL MOTORS, HAMILTON

Mr. WHITE. I am David White. I am laid off from CPC Hamilton. My wife is also laid off from CPC Hamilton. I have two brothers that work there. They are currently employed, and my father, he is retired from CPC Hamilton. So it is my whole family has generated their life styles around General Motors, and it is going to be totally devastating to me and my wife and my brothers, because if we are fortunate enough to relocate, we may be scattered around the country, so we are definitely going to lose our contact with the family unit.

To touch on what Howard said, Mr. McDonald made mention that different SUB pays—this is all patchwork. It is going to run out, it is not going to last. So I would like to see our plant saved, so the fact that we can work, make a quality car as we have been in the past and just have a job. That's all we want. We just want to do our job.

In August 1973 I made a commitment to work for General Motors for at least 30 years. I am 32 years old now. My family's health history will probably not allow me to retire. My father had a heart transplant a little over a year ago, so I will probably not live to see retirement. If I can put in my 30 years with General Motors, probably.

Senator METZENBAUM. Thank you. We appreciate very much the comments of the employees.

We now have the State of Ohio representative here, Lieutenant Governor Paul Leonard, who has sat with us all morning, and I am very grateful to him for being with us. I know he is speaking here for the state Administration.

STATEMENT OF PAUL LEONARD, LIEUTENANT GOVERNOR, STATE OF OHIO

Lieutenant Governor LEONARD. Thank you very much, Mr. Metz-enbaum. I appreciate very much the opportunity to be here representing the Governor of the State of Ohio. We certainly appreciate the fact that you are here with this hearing. This helps us not only focus on the problems and challenges ahead, but also on possible solutions to those problems. We especially appreciate the fact that Owen Bieber, a son of the State of Ohio, was able to come here today, on behalf of the United Auto Workers, to help us make the plea that we are making publicly today.

I want to begin by telling you that we had excellent cooperation from local officials from GM management and from organized labor as we move ahead in our attempt to address these challenges. I especially applaud Mr. McDonald's response when he basically said this morning, "Never say never," that he is willing to take a

look at the situation and perhaps—perhaps reconsider some of the decisions that have been made, and, believe me, that is the priority of the State of Ohio, the Governor of this state, and certainly is my priority.

Let me begin by telling you I was in the Governor's office on the day that we received word of the plant closings. Let me assure you the people of these plants, these communities, that there is no one more concerned and more involved in the intricacies of this challenge than the Governor of the State of Ohio. Through his office and through my office and the Department of Development and the Bureau of Employment Services we have been working closely with local officials, GM management and organized labor in our efforts to, first and foremost, encourage reconsideration of the General Motors decision and then, secondly, to plan for a transition should that reconsideration not be forthcoming.

The State of Ohio efforts are coordinated through a community economic assistance team which includes representation from all state agencies prepared to provide assistance both to the communities and to the workers.

Senator, I want to review with you just briefly the two high-level meetings that have taken place with respect to this issue. The first was a meeting that included the Governor and myself and the GM transition team. If I could summarize my impressions of that meeting, the summary would be this:

General Motors at that meeting was well intentioned, they were certainly prepared to implement contractual provisions to assist workers, but their response with respect to the request for community assistance and general economic adjustment over and above their contractual provisions was woefully inadequate. They were just not prepared to discuss the kind of requests the State of Ohio was making for assistance to both workers and the communities involved.

The second meeting of that transition team in the State of Ohio is scheduled for February. It is our hope—and this is where you can help—that we will be able to receive some answers to our questions and that a true partnership between General Motors, organized labor and government can begin to result in some concrete proposals to address the challenges that lie ahead. The communities deserve some answers, the State of Ohio wants answers.

Senator METZENBAUM. The Labor Subcommittee will be represented at that meeting. I will send somebody from my office to be there.

Lieutenant Governor LEONARD. We would appreciate that. Thank you, Senator.

The second pilot meeting took place in Detroit. It included the Governor of the State of Ohio and Mr. Roger Smith. He made it abundantly clear that first and foremost upon the agenda was the Governor's plea to Roger Smith that General Motors Corporation reverse its decision. That remains the Governor's priority, that remains my priority, and that is the goal that the State of Ohio seeks.

Local communities, organized labor and the State of Ohio have given to Roger Smith some serious proposals that would allow us to support keeping those plants in the State of Ohio, including incen-

tives. If the decision, however, is irreversible, then the Governor is making it abundantly clear that we are requesting substantial economic adjustment assistance. Might I say that there have been no commitments as yet from Mr. Smith or General Motors executives, although they are upon us.

Our conclusions are this: That there are three categories where assistance is needed in the area of human needs, first; in the area of economic adjustment, second; and in the area of assistance to ease local fiscal impact of the closings.

We are aware that there are significant benefits available to the provisions of the UAW-GM National Agreement. However, it is our conclusion that the severity of the economic dislocation which will be caused by these plant closings demands that additional resources be brought to bear on the situation.

It is my feeling, Senator, that the General Motors Corporation must set a tone of leadership in the State of Ohio and go above and beyond the ordinary call of duty in helping both the workers and the communities with the transition which lies ahead.

In the area of human needs, what is needed is a comprehensive program which includes testing, assessment, counselling, job search and placement activities. The State of Ohio is urging the General Motors Corporation to take the following steps through the UAW-GM Human Resource Center:

To identify a specific amount of resources to set aside, to assist workers from the two Ohio plants, to establish an employee assistance center at each plant with appropriate staff, including dislocated workers from the plants, and the center should remain open after plant closing to provide some level of assistance for non-GM workers dislocated as a result of the closing.

In the area of economic adjustment, the State of Ohio is asking the General Motors Corporation to consider the following requests: The hiring of economic development professionals to assist local communities to develop a plan for adjustment, including possible conversion of facilities to other uses. Development and implementation of site marketing strategy in cooperation with local community leadership. Disposition of the facilities in a manner agreeable to local officials. This could include donation of the property and/or demolition of the structures and to provide necessary information upon vendors to allow identification of ripple-effect dislocation.

In the final category of local fiscal impacts, the State of Ohio has asked the General Motors Corporation to consider the following: Payment in lieu of taxes during the transition period between closing and conversion to ultimate use. Assistance to the community through the United Way campaign to address a combined crisis of revenue loss and increased needs for services.

Finally, let me say this, Senator Metzenbaum. The State of Ohio is proud of its record of partnership with the General Motors Corporation, but that hoped cooperation must extend to situations which involve work force reduction and plant closing, as well as re-investments and expansions. All appropriate state agencies are prepared to contribute to that effort.

We want to emphasize that the State of Ohio stands ready to provide whatever assistance is necessary and appropriate to help

the employees and the communities through this transition, but, Senator, we can't do it alone.

This is a tough decision that will have a severe impact on Southwestern Ohio and the State of Ohio in general, and we believe, before we lay our cards on the table, that the General Motors has a twofold obligation, once and for all, to hear everyone out and consider—please reconsider the decision to close these plants, and thereafter, if that is not possible, the General Motors Corporation has to first come forward with a plan to help these people, to help the State of Ohio and to help these communities through the transition period. Once they can put that plan on the table, the State of Ohio stands ready to stand beside those people, our citizens and these communities, during that transition period.

Once again, thank you very much for bringing your committee to Southwestern Ohio. It is going to help us arrive at a solution to a very difficult challenge. We appreciate your presence. [Applause.]

Senator METZENBAUM. We asked Secretary of Labor William Brock to be with us today, and understandably, he couldn't, because tomorrow is the State of the Union message of the President, and under those circumstances it is rather customary to keep your cabinet officials on board in putting together that State-of-the-Union Message. But we are particularly pleased that Mr. William Batt, Quality of Work Life Adviser of the Bureau of Labor Management Relations and Cooperative Programs from the U.S. Department of Labor is with us this morning.

Mr. Batt, will you introduce the lady with you?

**STATEMENT OF WILLIAM L. BATT, QUALITY LIFE ADVISER,
BUREAU OF LABOR-MANAGEMENT RELATIONS AND COOPERATIVE PROGRAM, U.S. DEPARTMENT OF LABOR**

Mr. BATT. Deanna Hodge from our Congressional Affairs Office, who has been absolutely invaluable in getting this testimony together and cleared through the channels it had to be cleared through.

I would like to say our principal function in the Labor Department's Bureau of Labor Management Relations and Cooperative Programs (BLMRCP) under Steve Schlossberg is to encourage labor-management cooperation to increase industry's productivity and quality of work life. But talking worker participation at GM and UAW is a little like carrying coals to Newcastle. You have heard today from both Mr. McDonald and Mr. Bieber that one of the things they both agree upon is that tremendous headway is being made in widened worker participation in places like the NUMMI plant at Fremont, California, and the Saturn plant in Tennessee, of course, still on the drawing board.

UAW and General Motors have been working on this through in-plant labor-management committees since 1973. One of the great quality of work life leaders in the country is Mr. Irv Bluestone, a former vice-president of the United Auto Workers. Dutch Landen was his counterpart QWL pioneer on the GM side. Labor-management cooperation is effective in small plants as well as big ones like NUMMI. One of our best examples is the Peabody Barnes Company in Mansfield, Ohio, with the Machinists' Union, where

the plant was saved from closing with an innovative Scanlon gain-sharing plan and is still doing very well. We encourage these through co-sponsored conferences, workshops and publications.

We are also active in encouraging states and communities to organize labor-management committees. Ohio is one of the seven states with such state-wide efforts. Toledo, of course, was the granddaddy of them all back in 1948 when former Governor Di-Salle, who was then vice-mayor, was the moving spirit in getting that city's labor-management committee organized. I had the opportunity to work in Toledo for three years helping to bring new industry in and help existing industry expand through a labor-management committee focused on industrial development.

But despite the best efforts of labor and management to help improve plant productivity, sometimes there are layoffs, permanent layoffs, and plants are forced to close because of the loss of markets, changes in consumer preferences or technological change.

One of the cases, really the best case in terms of readjustment is, the Ford plant at the Milpitas, California. There, thanks to collective bargaining, they had six months' advance notice of the factory closing. In the previous two years, they had taken that plant from one of the worst in the system to one of the most productive, thanks to their Employee Involvement Program and a high level of trust between top drawer leadership from both labor and management.

But in spite of that fact, the plant was closed, and it was tough for people to understand. They lost the California small car market to Japanese imports, and they were having to ship 60 per cent of their finished product back East to sell. So it became uneconomic to continue making Escorts and small trucks on the west coast.

Immediately after the closing decision, the company and the union set up an outplacement committee. In fact, they took their Joint Involvement Program and it became the outplacement committee. With the help of the Joint Retraining Program in Dearborn they got immediate funds and were able to get an outplacement program started in Milpitas 6 months before closing, and lasting for over a year after the closing of the plant. That joint labor-management effort succeeded in helping over 80 per cent of the people in that plant find new jobs. Over 30 per cent of the workers in that plant received training in new skills to qualify for their new jobs.

One of the interesting things about all these cases, Senator, is that productivity remains very high until the end. Productivity in the last month of that plant was the highest it had ever been in their history. We found this was true also at the Firestone plants in Albany, Georgia, and Des Moines, Iowa.

What do all these cases that we have studied have in common? Well, there are several things. One is they all established joint labor-management outplacement committees, and they did it as soon as the layoff or closing decision was announced and well before the first layoff occurred. This quick response was vital, and I am glad to see that such committees have been set up in both Norwood and Fairfield-Hamilton.

Secondly, they provided job-search training. We ought to get job-search training within our unions, our companies, our schools and

colleges because increasingly we are going to change jobs several times in the course of a lifetime.

Thirdly, set up job clubs that remain open months after the plant closing. As I said before, Ford Milpitas stayed open over a year.

Fourthly, aggressively develop new job opportunities; don't leave it all up to the job service of the state as useful as they are. But the company should use all of their contacts with all of their suppliers and all of their customers. A company like GM has an enormous amount of clout in the business community to uncover job opportunities for their workers.

Fifthly, these programs all provide skill training for those who need skills to find work. In the Milpitas case they provided this not only with the joint Ford-UAW funds. They also were provided with JPTA money when that came along. In the State of California they also have special state funds for retraining workers under the Johnson Act.

Sixth, provide advanced notice wherever feasible. The best cases I know about have had from six months to two years advance notice.

Seventh, they arranged for qualified management and worker representatives to help out well before and long after the closing.

They arranged for third-party help from the state or a good private firm, and they provided economic development, trying to find a reuse for their plant. I am glad to see that that is underway here.

Unfortunately, though, Senator, cases like this are the exception rather than the rule, maybe 5 or 10 per cent of the cases in the country. In order to get wider knowledge about them, we have been co-sponsoring with all interested states' industrial adjustment workshops. Ohio was the first in the country. We have also done workshops with Illinois, Utah, Idaho, Arizona, Kansas, Texas, South Carolina, Massachusetts, Vermont, Colorado, New Jersey and Connecticut. We have done an industry-wide workshop for the tire industry at the request of the rubber workers in Akron and another with AT&T with the communications workers and Brotherhood of Electrical Workers when they announced their layoff of about 23,000 workers a year or so ago.

We have also published publications like the Plant Closing Check List with some of these case histories in the back along with ideas for what a community can do, what a union can do and what a company can do to help outplace their workers more quickly.

We are also cooperating with the Governors' Association in six states to find out how well the voluntary labor-management approach used by Canada for the last 25 years in dealing with plant closings works in this country. I am glad to say that Ohio is one of the six states that are participating in that test, and they plan to identify two closings where both management and union agree to participate and to see if the Canadian approach can be used effectively.

As you know, the Secretary has also set up a task force that has made a report that has some excellent recommendations, and the Secretary is now looking at them. In the President's budget message, Secretary Brock has gotten acceptance for a recommendation for tripling the size of JPTA funds in the budget, to do a better job

of reaching more people, more effectively and more comprehensively.

In short, the effort to encourage labor-management cooperation is grounded in the conviction that such cooperation is vital to the productivity and job security of the nation and its workers. Thank you.

Senator METZENBAUM. Thank you very much, Mr. Batt. [Applause.] Thank you for coming. I am happy you could be with us. I am sure you will be willing to share your expertise with the State of Ohio in this General Motors situation.

Mr. BATT. Be delighted to, and, of course, all the programs that we have talked about that are administered by the department, like the JPTA, are all administered through the state and the agencies the Lieutenant Governor spoke of.

[The prepared statement of Mr. Batt follows:]

STATEMENT OF W.L. BATT, JR., QWL ADVISOR,
BUREAU OF LABOR-MANAGEMENT RELATIONS
AND COOPERATIVE PROGRAMS
U.S. DEPARTMENT OF LABOR
BEFORE THE
SUBCOMMITTEE ON LABOR
OF THE
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

JANUARY 26, 1987

Mr. Chairman:

I am William Batt from the Bureau of Labor-Management Relations and Cooperative Programs of the U.S. Department of Labor. I learned about plant closings and major layoffs while serving as Secretary of Labor and Industry for Pennsylvania in the Leader and Lawrence Administrations (1957-1961), followed by four years as Administrator of the Area Redevelopment Act (now E.D.A.) in the Commerce Department by appointment of President Kennedy. Now in the Labor Department under Steve Schlossberg and Secretary Brock, my colleagues and I have been encouraged to continue the search for better answers to this continuing national problem.

In an era of unprecedented international competition, rapid technological changes, changing demographics of the American labor force and rapidly shifting product markets, American industry--unions, management and workers--must recognize their mutual interests and work together to attain their common goals of product competitiveness and long-term worker employment security. This changing economic environment has heightened the need for labor and management to readjust their current methods of operating and to pursue joint strategies to improve productivity,

enhance the quality of working life for employees and retain the competitiveness of American industry. The Bureau of Labor-Management Relations and Cooperative Programs is a new initiative of the Labor Department to encourage employers and workers to recognize and act upon these mutual interests.

Increasing numbers of companies, workers and unions are recognizing these interests. They are extending their cooperative efforts into improving the productivity of their organizations and the quality of work life of their workers at the same time. Some examples:

- Peabody Barnes in Mansfield, Ohio and the International Association of Machinists;
- Lincoln Electric in Cleveland, Ohio and their employees;
- GM/Toyota and the United Automobile Workers in Fremont, California; and
- Hewlett-Packard and their employees in Palo Alto, California.

The Bureau of Labor-Management Relations and Cooperative Programs publicizes these efforts in publications, workshops, research projects, and conferences, so that other people can learn about them, speak with and visit those who are actually doing them, and adapt that experience to their own needs.

The Bureau's publications include:

- Employee Involvement and Gainsharing Produce Dramatic Results at Eggers Industries
- Xerox Cuts Costs Without Layoffs Through Union-Management Collaboration
- Starting Labor-Management Quality of Work Life Programs
- Resource Guide to Labor-Management Cooperation
- Perspectives on Labor-Management Cooperation

We also encourage and assist the establishment of state and local efforts to promote such cooperation in their areas. For example:

- Statewide labor-management programs in--
 - o Pennsylvania
 - o Michigan
 - o Ohio
 - o Indiana
 - o Kentucky
 - o Illinois
 - o Texas

--Area Labor-Management Committees in 70 cities, many modeled upon the Jamestown, N.Y. program. Congress has encouraged this in the Labor-Management Cooperation Act of 1978.

Despite successful efforts at improving a plant's productivity, sometimes workforces are decreased or plants are forced to close completely because of loss of markets, changes in consumer preferences, technological change or obsolescence. Some examples:

- Dana, Edgerton, Wisconsin
- Ford at Milpitas, California
- Firestone at Albany, Georgia
- Gates Lear Jet in Tucson, Arizona
- Brown and Williamson in Petersburg, Virginia
- Electrolux in Old Greenwich, Connecticut
- Kelsey-Hayes and the Judson Press in Philadelphia

Experience here proves time and again that more displaced workers can find new and better jobs more rapidly, with far less trauma to themselves, their families and their communities if management, workers, the community and state work closely together to support the employees' own efforts.

Most successful labor-management efforts to help their workers find new jobs employ these techniques:

1. Establishing joint labor-management outplacement committees;
2. Providing job search training;
3. Setting up job clubs which remain open several months after plant closing;
4. Aggressively developing new job opportunities;
5. Providing skill training for those who need new skills to find work;
6. Providing advance notice, where feasible;
7. Arranging for qualified management and worker representatives to help out, before and after closing;
8. Arranging for third party help from the state or a good private consulting firm; and
9. Economic development--to try and find a re-use for the plant.

- 6 -

Such efforts are still the exception rather than the rule. In order to spread information regarding such efforts as widely as possible, the Department of Labor has cosponsored Industrial Adjustment Workshops with Ohio, Illinois, Arizona, Utah, Idaho, Kansas, Texas, South Carolina, Massachusetts, Vermont, Colorado, New Jersey and Connecticut. An industry-wide workshop was held with AT&T, the Communications Workers and the Brotherhood of Electrical Workers, and another in Akron with the Rubber Workers for the tire industry. To reach a wider audience, our bureau has published a Plant Closings Checklist: A Guide to Best Practice, which has been distributed widely to unions, companies, local elected officials and Job Service Offices.

We are also cooperating with the National Governors Association and six states to find out if the voluntary worker-management approach to worker outplacement in layoffs and plant closings used in Canada will work as well here as it has there for 25 years. Ohio is one of the six states. Each will try out the Canadian approach in two plants where both management and the employees agree.

The Canadian program, conducted through its Industrial Adjustment Service, is a mechanism to coordinate training and outplacement assistance to help workers and firms adapt to industrial change. This onsite committee system, based on early intervention and labor-management cooperation, has been successful at a very low cost. The Industrial Adjustment Service is a

- 7 -

small, highly professional staff, comprised of about 60 people, virtually all stationed in Regional Offices nationwide. Their assignment is to encourage employers and employees facing permanent layoffs or shutdowns to set up voluntary labor-management outplacement committees immediately when layoff or closing is announced. Committees may be set up for both union and non-union plants. They are at the plant within 24 hours of the public announcement. These committees get started immediately to plan the outplacement, determine who wants help in job search and training, engage in intensive job development, and help workers locate new jobs to the extent possible before the plant closes. Committees stay in existence for as many months after plant closing as necessary. Then the impartial third party chairman makes a report spelling out what happened to everyone they served. Over 25 years, in companies where committees were established, they helped 66 of every 100 workers find new jobs within a year.

In addition to these efforts, job search training, job clubs and skill training efforts currently can be enhanced by the Job Training Partnership Act. More comprehensive assistance would be available under the Department's new proposed worker adjustment program, which I will outline in a moment.

In October of 1985, after consultation with members of Congress, Secretary Brock set up an independent Task Force to examine the issues relating to economic adjustment. The Task

Force, chaired by Malcolm Lovell (of George Washington University and former Under Secretary of Labor) represented government, industry, labor, academia and the private economic research community. The Task Force was asked to "examine the issue of plant closings and the causes and effects of worker dislocations, to evaluate current programs and policies at the Federal, state and local levels, as well as those of foreign nations, and to report its results directly to the Secretary of Labor."

The Task Force presented its report to Secretary Brock two weeks ago. In its report, the Task Force recognized that some plant closings and permanent layoffs are inevitable and can be a concomitant part of achieving and maintaining a competitive, healthy economy and a strong position in the international marketplace. However, the Task Force also concluded that it is in the national interest to foster, through private and public means, the adjustment and reemployment of workers permanently displaced from employment.

In recognition of the need highlighted by the Task Force to improve the effectiveness of our worker adjustment programs, the Administration is proposing in our FY 1988 budget a comprehensive new worker adjustment assistance program aimed at combining the features of several programs to provide swift aid in matching

- 9 -

displaced workers with new jobs. This new program will be based on the following principles:

- o Comprehensive coverage of workers, regardless of the cause of the dislocation;
- o Emphasis on approaches proven to be effective in helping dislocated workers;
- o Early intervention and better targeting of funds to dislocations; and
- o Close linkages with the Unemployment Insurance system as an integral part of adjustment services.

In conclusion, our efforts at encouraging labor-management cooperation are all grounded in the conviction that such cooperation is vital to the country's productivity and the job security of its workers.

Senator METZENBAUM. I want to thank all of the witnesses. I want to thank the audience for their concern, the workers in this area, and the leaders of the communities involved. This hearing has taken about four hours, and it just does not happen, and I would be remiss in my responsibilities to those who put it together—to see that the lights are here and those things on the table are there—if I did not thank my Washington staff: Ellen Bloom, Eugene Cottilli, Nancy Coffey, Lynn Rhinehart, Joel Johnson, Daisie Snyder and Jim Brudney, head of our Labor Subcommittee staff, all of whom came out from Washington to make this possible; and Pat Phelen and Virginia Johnson in my Cincinnati office. To all of them, I appreciate what they have done.

Let me conclude this hearing by saying, really paraphrasing, on the birthday of a man whose name is familiar to all of us, Rev. Martin Luther King, who said, "We shall overcome." And we together will make every effort to overcome. We want to preserve these jobs for the people of this community. Thank you very much. [Applause.]

[At 1:30 p.m., the hearing was concluded.]

